

APPROVED  
by the Board of Directors  
of PJSC MMC Norilsk Nickel  
on October 18 2016 No.GMC/39-pr-sd

**TERMS OF REFERENCE  
OF CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION  
COMMITTEE OF BOARD OF DIRECTORS OF PJSC MMC NORILSK NICKEL**

## **1. General Provisions**

1.1. These Terms of Reference of the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors of PJSC MMC Norilsk Nickel (hereinafter “Company”) (hereinafter “Terms of Reference”) are the main document determining the rules of procedure of the Corporate Governance, Nomination and Remuneration Committee of the Company’s Board of Directors (hereinafter “Committee”) and regulating its functions, structure and formation procedures.

1.2. The Committee’s rules of procedure shall be governed by the current legislation of the Russian Federation, the Company Charter (hereinafter “Charter”), the Regulations on the Board of Directors and these Terms of Reference, as well as other internal documents of the Company, having regard to amendments and additions that may be introduced to each of the aforementioned documents.

1.3. In its decision-making the Committee shall rely on a comprehensive and impartial consideration of materials, analytical documents and recommendations prepared by the Company’s management and control bodies, the Company’s auditor, as well as by experts and professional consultants hired based upon a Committee decision made in accordance with these Terms of Reference.

1.4. The Committee is a supporting body of the Company’s Board of Directors (hereinafter “Board of Directors”) and shall not act in its relations with third parties on behalf of the Company.

1.5. The Committee may not impose on the Company any legal obligations. Decisions made by the Committee shall be advisory in nature for the Board of Directors.

1.6. The Committee shall be fully accountable to the Board of Directors.

## **2. Committee Functions**

2.1. The key functions of the Committee shall include:

*2.1.1. Assessment, Monitoring and Improvement of the Company’s Corporate Governance System*

2.1.1.1. Assessment, upon a request made by any member of the Board of Directors, of the Company’s corporate governance, as well as of the Company’s compliance with the requirements of Russian legislation on corporate governance;

2.1.1.2. Monitoring of the functioning of the Company’s corporate governance system and regular analysis and evaluation of its effectiveness and compliance with the goals and objectives of the Company, as well as with best corporate governance standards and practices;

2.1.1.3. Monitoring of the compliance by members of the Board of Directors with the provisions of the Company’s *Code of Corporate Conduct and Ethics for Members of Board of Directors*;

2.1.1.4. Monitoring of the following throughout the Company of the ethical principles and

corporate values outlined in the Company's *Code of Business Ethics*;

2.1.1.5. Control over the level of regulatory support and procedures for information exchange at all levels of the Company;

2.1.1.6. Supervision over the safeguarding of shareholder rights and the effectiveness of relations with shareholders, as well as preparation of recommendations for the Board of Directors on actions the Committee finds appropriate and necessary to protect the interests of the Company and its shareholders;

2.1.1.7. Preparation of recommendations for the Board of Directors on improvement of the Company's corporate governance practices, as well as on introduction of corresponding amendments to the Charter and other internal documents of the Company which are subject to approval by the General Shareholder Meeting (hereinafter - "General Meeting") or the Board of Directors.

*2.1.2. Contribution, via Corporate Governance System, to Creation of Stable Business Conditions*

2.1.2.1. Consideration of matters related to identified and (or) potential conflicts of interests of the Company, members of the Company's management bodies and Company shareholders, as well as preparation of recommendations for the Board of Directors on resolution of such conflicts;

2.1.2.2. Preliminary consideration and preparation of recommendations for the Board of Directors on matters related to the impact of a Company reorganisation on the interests of its shareholders, as well as consideration of matters related to the protection of legitimate rights and interests of Company shareholders in the event of Company reorganisation (jointly with the Strategy Committee);

2.1.2.3. Preliminary consideration and preparation of recommendations for the Board of Directors on matters related to the Company's participation or termination of participation in other organisations, as well as changes in the size or encumbrance of the Company's participation in such organisations (jointly with the Strategy Committee);

2.1.2.4. Assessment, at the request of any member of the Board of Directors, of the impact on the Company's interests, the rights of its minority shareholders and creditors of transactions with Company shares, executed or declared by shareholders holding 5 (five) or more percent of the Company's share capital, including related-party transactions foreseen by the Federal Law "On Joint-Stock Companies".

*2.1.3. Ensuring Succession Planning on Board of Directors*

2.1.3.1. Monitoring of compliance by the Board of Directors with, and of making suggestions (when necessary) to review, the *Policy on Development and Approval of Vote Recommendations on Candidates Nominated to Board of Directors*;

2.1.3.2. Identification of priority areas for the strengthening of the composition of the Board of Directors;

2.1.3.3. Formulation of recommendations for shareholders as regards voting on the election of members of the Board of Directors;

2.1.3.4. Monitoring of the implementation of measures aimed at improving the professional skills of members of the Board of Directors, in accordance with the Company's *Professional Development Policy for Members of Board of Directors*.

*2.1.4. Ensuring Succession Planning on Management Board and with Respect to President of the Company and Company Secretary*

2.1.4.1. Planning of staffing decisions, while taking into account the continuity of activities of members of the Management Board, the President of the Company and the Company Secretary;

2.1.4.2. Formulation of recommendations for the Board of Directors as regards candidates for the positions of members of the Management Board, the President of the Company and the Company Secretary;

2.1.4.3. Drafting the terms of employment contracts with the President of the Company and members of the Management Board.

*2.1.5. Motivation, Performance Evaluation and Remuneration Policy of Members of Board of Directors*

2.1.5.1. Development, supervision over implementation and regular revision of the Company's *Remuneration Policy for Members of Board of Directors*;

2.1.5.2. Conducting an annual evaluation of the performance of the Board of Directors and its members, in accordance with the Company's *Performance Evaluation Policy for Board of Directors* and decisions of the Board of Directors in this regard, as well as a regular revision of the provisions of this Policy;

2.1.5.3. Preparation of recommendations with respect to the candidacies of independent consultants to be engaged on the issue of remuneration of members of the Board of Directors;

2.1.5.4. Preparation of an annual report on the remuneration of members of the Board of Directors.

*2.1.6. Motivation, Performance Evaluation and Remuneration Policy for Members of Management Board, President of the Company and Company Secretary*

2.1.6.1. Development, supervision over implementation and regular revision of the Company's policy on compensation of members of the Management Board and the President of the Company;

2.1.6.2. Development of conditions for early termination of employment contracts with members of the Management Board and the President of the Company, including all issuer's financial obligations and conditions for provision thereof;

2.1.6.3. Conducting an evaluation of the performance of the Company Secretary;

2.1.6.4. Development of recommendations for the Board of Directors on amount of remuneration and principles of bonus payments to the Company Secretary;

2.1.6.5. Conducting a preliminary evaluation of the performance in a given year of the Management Board and the President of the Company, in accordance with the Company's compensation policy;

2.1.6.6. Selection of an independent consultant to be engaged on the issue of compensation of members of the Management Board and other key management personnel.

*2.1.7. Control over Formulation and Implementation of Company's Information Policy*

2.1.7.1. Review of the procedures of disclosure of information about the Company and its controlled structures;

2.1.7.2. Preparation of recommendations for the Board of Directors on the measures which the Committee finds necessary to protect the Company's confidential information;

2.1.7.3. Control over disclosure – in the annual report and on the Company Web site: <http://www.nornik.ru> - of information about the Company's compensation policy and practice, as well as about the ownership of Company shares by members of the Board of Directors, members of the Management Board and other key management personnel.

*2.1.8. Other Committee Functions*

2.1.8.1. Preliminary consideration and formulation of recommendations for the Board of Directors on matters related to the convening, preparation and holding of the Company's annual and extraordinary General Meetings;

2.1.8.2. Monitoring of the implementation of the decisions of the Board of Directors on matters which lie within the Committee's competence;

2.1.8.3. Preparation of an annual report on the Committee's activities.

2.2. The Board of Directors may decide to bring to the Committee's consideration other matters which have not been foreseen by these Terms of Reference.

2.3. The Committee has the right to take actions it deems appropriate and necessary to fulfil the functions provided for in these Terms of Reference to the extent foreseen by the requirements of current legislation, as well as the Company Charter, its internal documents and other regulations the Company is bound by.

### **3. Committee Structure**

3.1. The Committee consists of 5 (five) members. The size of the Committee may be increased by decision of the Board of Directors.

3.2. Only independent members of the Board of Directors (as defined in the Listing rules of CJSC MICEX Stock Exchange) shall serve on the Committee. If compliance with this requirement is not possible for objective reasons, a majority of Committee members shall be independent members of the Board of Directors, while the remaining Committee members may be members of the Board of Directors who do not serve as the Company's sole executive body or as members of the Company's Management Board.

3.3. In order to organise and lead the work of the Committee, to coordinate its relations with the Board of Directors, the Company's executive bodies and the Company's divisions, as well as to ensure the Committee's objectivity in the course of preparation of recommendations for the Board of Directors, there shall be appointed a Chair of the Committee.

3.4. The work of the Committee shall be supported by the Company's Secretariat. The Company Secretary (or another person appointed based on the Committee's decision from among the staff of the Company Secretariat) acts in the capacity of the Committee secretary. The Committee secretary participates in the Committee's meetings within the scope of his/her functional responsibilities. In the absence of the Committee secretary, his/her functions are performed by one of the Committee members participating in the Committee meeting, as per the decision of the Committee Chair.

#### **4. Formation of Committee**

4.1. The Chair and members of the Committee shall be elected by the Board of Directors upon the recommendation of any member of the Board of Directors no later than within 5 (five) working days following the election of a new Board of Directors.

4.2. Candidates' education, professional training, experience in the area of the Committee's competence, the skills of dealing with financial and business documentation and other specialised knowledge necessary for the members of the Committee to fulfil their duties shall be taken into account when electing the Chair and members of the Committee.

4.3. The mandates of the members of the Committee shall be terminated together with the termination of the mandate of the Board of Directors which formed the Committee.

4.4. Changes to the size and composition of the Committee may be made at any time by decision of the Board of Directors.

#### **5. Qualifications of Committee Members**

5.1. All Committee members shall possess:

5.1.1. Knowledge of and experience in corporate governance, allowing them to understand the key principles of the organisation and functioning of the corporate governance system;

5.1.2. Knowledge of main practices related to the construction of a compensation system for companies' management bodies and key management personnel;

5.2. Fulfilment by a candidate to the Committee of the criteria outlined in these Terms of Reference shall be determined taking into account the results of evaluations of the performance of the Board of Directors conducted by the Company and the qualification requirements outlined in the Company's *Policy on Development and Approval of Vote Recommendations on Candidates Nominated to Board of Directors*.

#### **6. Committee's Rules of Procedure**

##### **6.1. Activity Planning**

6.1.1. The Committee may authorise one or more Committee members to analyse in detail a given matter which falls within the competence of the Committee, and to report to the Committee the conclusions of the analysis.

6.1.2. All Committee members and other interested parties (invited or eligible to attend a Committee meeting) shall be notified of a Committee meeting within a reasonable time prior to the meeting, in a manner agreed on by Committee members and allowing for verification that the notification was sent. Meeting materials shall be provided to Committee members in advance so that they can prepare for discussion.

## **6.2. Drafting of Agendas for Committee Meetings**

6.2.1. The agenda of a Committee meeting shall be drafted by the Committee Chair.

6.2.2. Matters proposed for the Committee's consideration shall be sent to the Committee Chair through the Company Secretariat in a manner which allows for the verification of their distribution.

6.2.3. Proposals to include matters which fall within the competence of the Committee in the agenda of a meeting may be made by:

- 6.2.3.1. Committee members;
- 6.2.3.2. Members of the Board of Directors who are not Committee members;
- 6.2.3.3. President of the Company;
- 6.2.3.4. Members of the Company's Audit Commission;
- 6.2.3.5. The Company's auditor;

6.2.4. Matters proposed for the Committee's consideration shall be included upon the Committee Chair's discretion in the agenda of the next scheduled Committee meeting or in the agendas of meetings called specifically to address such matters.

6.2.5. Upon inclusion in the agenda of a Committee meeting of a particular matter, all information regarding the personal interest of a Committee member in the consideration of the matter shall be disclosed and brought to the attention of the Committee. Such information shall be included in the protocol from the Committee meeting (hereinafter "Protocol").

6.2.6. By decision of a majority of Committee members, the meeting agenda may be amended and (or) supplemented in the course of the meeting.

## **6.3. Use of Consultants**

6.3.1. In order to ensure the most effective and proper performance of its functions, the Committee shall be entitled to receive advice and opinion from independent external consultants, appointed by the Company at the Committee's request (hereinafter "Consultants"). Any member of the Committee may propose specific Consultants.

6.3.2. Consultants invited to participate in a Committee meeting shall not have voting rights with respect to Committee decisions.

6.3.3. Should the Committee decide to engage Consultants, the Committee Chair shall send a written request to the President of the Company, who shall promptly sign an agreement with the selected Consultant, in accordance with the Company's policy on entering into agreements.

6.3.4. In accordance with the Company's *Regulations on Procedures for Providing Access to Inside Information*, Consultants shall sign a non-disclosure agreement with the Company.

#### **6.4. Committee Budget**

6.4.1. In order to ensure the Committee's proper functioning, when creating the expenditure section of the Company's general budget for a given period, and taking into account the potential necessity to hire Consultants and pay for their services, there shall be allocated a separate expenditure item whose amount shall be approved by the Board of Directors.

6.4.2. Proposals regarding the size of the Committee's budget for the following year shall be submitted to the Board of Directors for approval in the fourth quarter of the previous year, as part of the formulation of the Company's general budget.

6.4.3. Engagement of consultants and payment for their services using funds which had not been budgeted for by the Committee shall be arranged by the President of the Company based upon a separate decision of the Board of Directors. Submission of the matter to the consideration of the Board of Directors is initiated by the Committee Chair.

6.4.4. By decision of the Board of Directors, following the end of a given year, the Committee Chair shall submit to the Board of Directors a report on the expenditure of funds for the use of Consultants, including a detailed description of provided services and the conclusions and recommendations prepared by the Consultants.

6.4.5. By decision of the General Meeting and in accordance with the Company's *Remuneration Policy for Members of Board of Directors*, the Chair and members of the Committee may, in the course of performance of their duties, be paid remuneration for their service on the Committee.

#### **6.5. Committee Meetings**

6.5.1. Committee meetings shall be called by the Committee Chair at his/her own initiative, upon a request of a Committee member, the President of the Company, the Chair of the Board of Directors or by decision of the Board of Directors.

6.5.2. Committee meetings shall be held either in person or by written survey of Committee members. Technical means of communication (conference calls, internet, etc.) may be used to conduct Committee meetings. Persons invited to participate in a meeting may present their opinions on agenda items in written form.

6.5.3. A Committee meeting shall be deemed competent (have quorum) if it is attended by at least 3 (three) Committee members or more than 50 percent of all Committee members, including the Committee Chair, if the Board of Directors has determined that the Committee shall consist of more than 5 (five) members.



6.5.4. The presence or absence of a quorum shall be determined by the Committee Chair upon the opening of a Committee meeting. All Committee members shall make every reasonable effort to participate in Committee meetings. Absence of a quorum shall lead to the adjournment of the Committee meeting.

6.5.5. Committee meetings shall be presided over by the Committee Chair.

6.5.6. If necessary, by decision of the Committee and (or) its Chair, the following persons may be invited to Committee meetings:

6.5.6.1. Members of the Board of Directors who are not members of the Committee;

6.5.6.2. President of the Company;

6.5.6.3. Members of the Company's Management Board;

6.5.6.4. Members of the Company's Audit Commission;

6.5.6.5. The Company's auditor;

6.5.6.6. Consultants, hired at the Committee's request in accordance with point 6.3. of these Terms of Reference;

6.5.6.7. Other officials and employees of the Company.

6.5.7. At the beginning of a Committee meeting each Committee member shall inform the Committee about the presence of any personal interest of a Committee member in the consideration of a matter or of any other reason, fact or circumstances which impact or may impact his/her independence. Such information shall be included in the Protocol from the Committee meeting.

## **6.6. Adoption and Execution of Committee Decisions**

6.6.1. Committee decisions shall be taken by a simple majority of votes cast by the Committee members who are present at the meeting. Each Committee member has one vote. The Committee Chair shall not have a casting vote in the event of a tie.

6.6.2. Following a meeting, the Committee secretary shall draft a Protocol and, if necessary, Committee recommendations (hereinafter "Recommendations"), which express the opinion of the Committee as a whole. Dissenting opinions of Committee members shall be presented separately in the Protocol and the Recommendations. The Protocol shall also contain information on the presence of a quorum, list all agenda items and approved resolutions. Materials reviewed at the Committee meeting may be attached to the Protocol.

6.6.3. The Protocol and the Recommendations shall be drafted in written form within 5 (five) working days following the end of a Committee meeting and shall be signed by the Committee Chair and the Company Secretary or another person who fulfils the functions of a secretary based upon the Committee's decision. If necessary, the Protocol shall be drafted within a shorter time period, taking into account the schedule of meetings of the Board of Directors and the timeframe for provision to members of the Board of Directors of materials for meetings of the Board of Directors.

6.6.4. The Protocol and, if drafted, the Recommendations shall be submitted to the Chair of the Board of Directors or, if necessary, shall be presented for discussion at the next meeting of the Board of Directors. The Company Secretary is responsible for bringing all Committee decisions to the attention of members of the Board of Directors in a timely manner.

6.6.5. The Committee secretary shall store the Protocols and Recommendations in accordance with the Company's document storage policy.

6.6.6. All information about the activities and decisions of the Committee shall be stored at the Company's Secretariat. Members of the Board of Directors, upon their written request addressed to the Committee Chair, shall be granted access to Protocols and Recommendations, as well as to any materials presented to the Committee for consideration.

## **7. Committee's Interaction with Company's Management and Control Bodies and Divisions**

7.1. The Committee, via its Chair, may interact directly with the Board of Directors, members of the Management Board (including the President of the Company) and heads of the Company's divisions.

7.2. The Company's executive bodies shall inform the Committee Chair about any significant changes to the matters which fall within the competence of the Committee. In order to properly perform its functions the Committee shall have the right to consult with the Company's management and control bodies.

7.3. If necessary, and if agreed on with the President of the Company, employees of the Company's divisions who possess relevant experience and qualifications to assist the Committee in its work may be invited to contribute to the work of the Committee.

7.4. Committee members shall have access to all information and materials necessary for the Committee to consider the matters which fall within its competence. The request to provide the information and documents necessary for the Committee members shall be submitted to the President of the Company and signed by the Committee Chair.

7.5. The Committee secretary shall provide technical and procedural support as regards the interaction of the Committee with representatives of the Company's other bodies and divisions.

## **8. Committee Evaluation**

8.1. The Committee shall present to the Board of Directors an annual report on the results of its activities no later than within 1 (one) month prior to the Company's annual General Meeting.

8.2. Information about the Committee's activities for a given period shall be published in a separate section of the Company's annual report.

## **9. Closing Provisions**

9.1. These Terms of Reference shall be approved by the Board of Directors.

9.2. The Committee reviews these Terms of Reference on a regular basis (as necessary) and proposes changes thereto to the Board of Directors.

9.3. Any amendments and supplements to these Terms of Reference shall be approved by the Board of Directors.

9.4. These Terms of Reference shall be published on the Company Web site:  
<http://www.nornik.ru>.