

APPROVED
by the Board of Directors
of PJSC MMC Norilsk Nickel
on October 16, 2017 No.GMC/34-pr-sd

**TERMS OF REFERENCE
OF AUDIT AND SUSTAINABLE DEVELOPMENT COMMITTEE OF BOARD OF
DIRECTORS
OF PJSC MMC NORILSK NICKEL**

1. General Provisions

1.1. These Terms of Reference of the Audit and Sustainable Development 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 Audit and Sustainable Development 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. As regards financial reporting

2.1.1.1. Control over completeness, accuracy and integrity of the Company’s financial statements;

2.1.1.2. Analysis of key aspects of the Company’s accounting policy, consideration of matters related to its revision and to the appropriateness of applying or correcting of bookkeeping and audit procedures;

2.1.1.3. Participation in consideration of key issues and conclusions with respect to the Company’s financial statements, and preparation of recommendations for the Board of Directors on their approval.

2.1.2. As regards risk management and internal control

2.1.2.1. Control over reliability and effectiveness of the risk management and internal control system;

2.1.2.2. Control over procedures which ensure the Company's compliance with legal requirements, the Company's ethical standards, rules and procedures, and requirements of stock exchanges;

2.1.2.3. Analysis and evaluation of execution of the Company's policy in the area of risk management and internal control.

2.1.2.4. Supervision over the timeliness of review by the Company's executive bodies of the recommendations made by internal and external auditors on the improvement of the internal control system.

2.1.2.5. Consideration of reports on performance of Internal Control and Risk Management Unit in terms of development and improvement of internal control system and risk management system.

2.1.3. As regards external audit

2.1.3.1. Evaluation of independence, impartiality and the lack of a conflict of interest of the Company's external auditors, including an assessment of candidates for the Company's external auditor;

2.1.3.2. Preparation of recommendations for the development of a motivated position of the Board of Directors, which is presented to shareholders during the preparation for the General Meeting, on the appointment, reelection and dismissal of the external auditor;

2.1.3.3. Preparation of recommendations for the Board of Directors on the remuneration of the external auditor for the services provided to the Company;

2.1.3.4. Ensuring the independence and fairness of the Company's external audit function;

2.1.3.5. Oversight of external audit and evaluation of the quality of the auditing process and results;

2.1.3.6. Ensuring an effective collaboration between the internal auditor and the Company's external auditors;

2.1.3.7. Development and control over execution of the Company's policy governing the principles of contracting the external auditor to provide both audit and non-audit services.

2.1.4. As regards internal audit

2.1.4.1. Ensuring the independence and fairness of the Company's internal audit;

2.1.4.2. Preparation of recommendations on the introduction of amendments and supplements to the Company's internal documents which regulate the activity of the internal audit department;

2.1.4.3. Consideration of matters related to the appointment and dismissal of the head of the

Company's internal audit department, including determination of the amount of his/her remuneration;

2.1.4.4. Consideration of reports of the internal audit department, the results of controls conducted by the department, the evaluations of the internal control system, as well as plans of addressing the identified deficiencies;

2.1.4.5. Review of existing limitations with respect to competencies and budget to fulfil the internal audit function that can adversely impact effective implementation of the internal audit function;

2.1.4.6. Evaluation of the effectiveness of the Company's internal audit function.

2.1.5. Antifraud programs and controls

2.1.5.1. Control over the effectiveness of the antifraud warning system covering Company employees (including cases of insider and confidential information mistreatment or abuse) and third parties and other violations in the Company's operations, as well as control over the implementation of measures approved by the Company's executive bodies within such a system;

2.1.5.2. Oversight of special investigation procedures used in conjunction with potential fraudulent actions or misuse of the Company's insider and other confidential information.

2.1.6. Health, Safety and Environment, social issues

2.1.6.1. Regular analysis of the Company's policies, internal documents and procedures related to health, safety and environment for their compliance with business needs and regulatory requirements, and, if necessary, preparation of recommendations for the Board of Directors on their improvement;

2.1.6.2. Analysis of Management Board reports related to all material violations of internal and external requirements in the area of health, safety and environment, as well as corrective actions undertaken at the Company in order to mitigate adverse consequences and prevent such incidents in the future;

2.1.6.3. Preparation of proposals and recommendations for the Board of Directors on the planning of Company activities in emergency (unexpected) situations and circumstances (contingency plans);

2.1.6.4. analyzing reports made by the management team regarding health, safety and environment, social issues.

2.1.6.5. If necessary, regular, but not less than once a year, discussion with members of the Management Board responsible for health, safety, environmental and legal matters on the current status of significant litigation proceedings involving the Company and related to health, safety and environment, as well as discussion of possible legal and financial consequences for the Company, members of the Management Board and the Board of Directors.

2.1.7. Other Committee Functions

2.1.7.1. 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 may adapt its activities to bring them in line with changes in the market and business environment, shareholder needs and the requirements of current legislation.

2.4. 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 Russian and applicable foreign 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 PJSC Moscow 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. Only an independent member of the Board of Directors may become the Chair of the Committee. The Chair of the Committee may serve on other committees of the Board of Directors; however, he/she shall not chair more than two committees.

3.5. The work of the Committee shall be supported by the Company's Secretariat. The Corporate Secretary (or another person appointed based on the Committee's decision from among the staff of the Company's 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 members of the Committee shall possess sufficient knowledge in the area of finance, allowing them to understand all aspects of financial reporting, the concept of risk management and control mechanisms.

5.2. At least one member of the Committee shall be a financial expert and possess sufficient professional experience in the area of preparation and (or) audit of financial statements.

5.3. In accordance with the Company's *Professional Development Policy for Members of Board of Directors*, all newly-elected members of the Committee shall participate in the induction programme with the goal of familiarising themselves with the methodology used by the Company to prepare its financial statements, key fiscal indicators, the capital structure and the specifics of the Committee's work.

6. Committee's Rules of Procedure

6.1. Activity Planning

6.1.1. The Committee shall hold no fewer than 3 (three) meetings per year.

6.1.2. 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.

6.1.3. All members of the Committee 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. Materials regarding the items included in the agenda of the meeting 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. Members of the Committee;
- 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 external auditor;
- 6.2.3.6. Head of Internal Control and Risk Management;
- 6.2.3.7. Director of the Internal Audit Department.

6.2.4. Matters proposed for the Committee's consideration shall be included at 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 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 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 shall, 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, President, 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 4 (four) 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;

- 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. Head of the Company's division, which performs the functions of internal auditor;
- 6.5.6.7. Manager responsible for activities aimed at development and improvement of internal control system and corporate risk management system;
- 6.5.6.8. Consultants, hired at the Committee's request in accordance with point 6.3. of these Terms of Reference;
- 6.5.6.9. 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), Chair of the Audit Commission, the Company's auditor 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, 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 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.

7.6. The Committee shall present to the Board of Directors an annual report on the results of its activities within 1 (one) month prior to the Company's annual General Meeting.

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

8. Closing Provisions

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

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

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

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