

Working translation

Approved in the new edition by the Board of directors
of Joint Stock Company "Severstal"
(Minutes No. 28-2008 dated
June 25, 2008)

Corporate Governance Code of Open Joint-Stock Company Severstal

1. Introduction

This Corporate Governance Code (the **Code**) of Open Joint-Stock Company Severstal (the **Company**) is aimed at protecting the interests of all shareholders irrespective of the size of their shareholding.

This Code is based on the Corporate Conduct Code recommended by regulation 421/r of the Federal Commission for the Securities Market, dated 4 April 2002, "Recommendations for Implementation of the Corporate Conduct Code" and the British Combined Code on Corporate Governance, July 2003, which is a recommended guideline for companies listed on the London Stock Exchange.

This Code may be amended by resolution of the Company's Board of Directors.

2. Corporate Governance Principles

In the conduct of its business the Company adheres to the following main principles of corporate governance:

- The Company intends to implement efficient and transparent mechanisms for guaranteeing its shareholders' rights and interests conferred by law, the Company's Charter and other regulatory documents, and also those recommended by international corporate governance standards.
- The Company maintains a policy of equal treatment of all shareholders, irrespective of the size of their shareholding, their nationality or jurisdiction of incorporation.
- The Company intends to guarantee implementation of shareholders' rights to participate in Company governance by providing for shareholders to participate in meetings, vote on meeting agendas, and obtain timely information about the Company's operations, its management bodies and supervisory/auditing bodies.
- The Company regards increasing the market value of its shares (capitalization) as one of its principal goals.

It is the Company's policy to respect the rights of other entities that have lawful interests in relation to the Company, including the Company's creditors and employees, that are conferred by law and the Company's Charter and other regulatory documents.

The Company provides appropriate insurance cover for the liability of the members of its Board of Directors, the General Director and other senior Company executives.

In the conduct of its business the Company maintains a policy of information openness and transparency and compliance with the rules of business ethics and seeks to ensure compliance with current laws and international corporate governance standards.

3. Company's general shareholders' meeting

The primary means for Company shareholders to exercise their rights is through participation in general shareholders' meetings and the right to vote on all issues they are competent to vote on.

Shareholders are entitled to receive regular and timely information about the Company's operations so as to make decisions regarding their shareholding and exercise their shareholders' rights; the scope of such information, and the procedure for and the terms and conditions of providing such information are prescribed by regulatory acts of the Russian Federation, the Company's Charter and internal documents and rules of the stock exchanges on which the Company's securities are listed. Such information includes the following:

- transactions that can have a material effect upon the Company's financial results;
- facts and events that are of material importance for the Company;
- any Company obligations to third parties failure to perform which may cause a reduction in the value of Company shares;
- an increase or reduction of the Company's charter capital.

Working translation

Notice of a general shareholders' meeting shall be given in accordance with applicable law or the Company's Charter but in any event not later than 30 days before its scheduled date.

4. Company's Board of Directors

4.1. General

The Board of Directors is responsible for general management of the Company's operations, including elaboration of its development strategy and efficient monitoring of its financial and business operations.

The Board of Directors has as its principal objective the fulfillment, in good faith and competently, of its obligations to run the Company in such a manner as to ensure an increase in the market value of the Company's shares (in the medium and long term) and shareholders' wealth and protection of shareholder rights and enable shareholders to exercise their rights.

The Board of Directors bases its decisions on the need to act in the best interests of the entire Company and to be fair to all shareholders, secures conditions for shareholders to exercise their rights, and it may not give preference to the interests of any individual shareholder or group of shareholders.

The Board of Directors is responsible for the proper functioning of the system for disclosure and dissemination of information about the Company's operations and for implementation of the Company's information policy.

The competence of the Board of Directors includes, inter alia, the following matters:

- a. elaboration of priority areas of the Company's operations and strategy;
- b. review of the consolidated budget of the Company's group of companies and making recommendations for such a budget;
- c. reviewing the appointment and compensation policy applicable to the Company's senior executives, including its General Director, and making recommendations regarding such policy;
- d. approval of a transaction if its amount exceeds 10 percent of the book value of the Company's assets at the date of decision to enter into such transaction; and
- e. approval of a transaction to acquire (i) shares or a participation interests or rights to manage such shares or participation interests or (ii) fixed or intangible assets if the amount of the transaction specified in sub-clauses (i) or (ii) above exceeds the equivalent of US\$500 million.

A resolution on the matters set out in clauses (d) and (e) above requires a 2/3 majority vote of the elected members of the Board of Directors excluding the votes of former members.

The Company's Charter contains a full list of matters within the competence of the Company's Board of Directors.

4.2. Composition of the Board of Directors. Independent and Non-Executive Directors

The Board of Directors is comprised of 10 members.

The Company's General Director may not be Chairman of the Board of Directors.

Member of the Company's executive bodies and its senior executives may sit on its Board of Directors. No member of the Company's Board of Directors may sit on its Internal Audit Commission and/or Counting Commission.

The Board of Directors shall decide which of its members is independent in character and judgment (i.e., in relation to such members there are no circumstances which are likely to affect their judgment) (an ***Independent Director***). Independent directors shall constitute at least half of the Board's members including the Chairman of the Board, who shall be an Independent Director.

The Board of Directors shall state its reasons where it regards as an Independent Director a member of the Board of Directors who:

- is or was employed at any time during the last 5 years by the Company, by a company that is under direct or indirect control of the Company or by the Company's management company;
- does or did at any time during the last 3 years a material business relationship with the Company either directly, or as a partner, shareholder/participant, director or senior executive of a company that has such business relationship with the Company;
- has received or receives additional remuneration from the Company apart from their fees as a member of the Company's Board of Directors, participates in the Company's share option or performance-related pay scheme or is a member of the Company's pension scheme;

Working translation

- has close family ties with an adviser to or a member of the Board of Directors or a senior Company executive;
- holds office, together with other members of the Board of Directors, in the management bodies of one and the same company or has other material relationships with other members of the Board of Directors through participation in other companies or bodies;
- represents a significant shareholder (nomination by a significant shareholder to the Board of Directors or a significant shareholder's voting for the candidate as such does not qualify the candidate as a representative of such significant shareholder); or
- has been a member of the Board of Directors for more than 9 years since the first appointment.

The concept of "Independent Director" as defined in this clause shall be used exclusively for the purpose of application of this Code. Should Russian rules of law or its subordinate legislation that use the concept of "independent director" be applied to the Company, such concept shall be defined in accordance with Russian law defines disregarding the definitions in this clause.

Where other applicable laws and/or corporate governance standards accepted in the international practice require the use of different criteria for independence of members of the Board, then such criteria shall govern the status and number of independent members of the Board of Directors for the relevant purposes.

A member of the Company's Board of Directors is regarded as a **Non-Executive director** in case he:

- may not be recognized as an Independent director in accordance with this Code and;
- is not an employee of the Company at the date of his membership in the Company's Board of directors.

Member of the Board of Directors shall:

- act conscientiously and responsibly in the best interests of all shareholders and the entire Company;
- be possessed of appropriate professional skills;
- devote sufficient time to the performance of their duties as a member of the Board of Directors so as to work efficiently;
- once elected, give up representation of interests of any group of persons in relation to the Company and act only in the best interests of all shareholders and the entire Company, and
- disclose in good faith full information about their interest in any transactions the Company intends to enter into.

The Board of Directors shall create a transparent system to evaluate the performance of the Board of Directors as a whole and of each individual member thereof pursuant to the law at the time being in force and international corporate governance standards.

4.3. Meetings and Voting

The Company's Board of Directors shall meet on a regular basis or as necessary and in accordance with the procedure for convening and holding meetings established in the Company's Charter and the Regulations on the Board of Directors.

The Board of Directors is competent to take a vote/has a quorum where half or more of the elected members are in attendance at a meeting or where half or more of the elected members have provided their opinions in writing regarding all the agenda items.

4.4. Board of Directors' Committees

The Board of Directors shall establish the following standing committees consisting of its own members:

- Remuneration and Nomination Committee (to assist in the engagement of qualified personnel for the Company and create appropriate incentives for their successful work),
- Audit Committee (to ensure that the Board assists in exercising oversight of the Company's financial/business operations) and
- Strategy Committee (to develop and submit to the Board of Directors its recommendations in relation to elaboration of the Company business priorities and its development strategy).

The Regulations on the Committees that are approved by the Board of Directors shall set out the procedure for establishing the said committees, their functions, and those matters which fall within the competence of each committee.

Working translation

Each committee shall consist of three members. A member of the Board of Directors may be elected to more than one committees, and the Board of Directors shall have regard to whether a candidate has the ability and sufficient time to devote their duties as a member of several committees.

The Board of Directors shall appoint the head of each committee from its members. The same person may not head more than one committee.

The Audit Committee shall consist exclusively of Independent Directors who are not employed as senior executives in the Company, and the Nomination and Remuneration Committee shall include at least two Independent Directors who are not employed as senior executives in the Company's, one of whom shall be the head of the committee.

The Board of Directors may create other standing or ad hoc committees.

5. Company's Executive Body

The Company's General Director, who is the sole executive body, carries out day-to-day management of the Company and ensures its efficient operation by discharging the tasks set by the Board of Directors; cooperates with trade unions to protect the interests of Company employees; and deals with government and municipal authorities.

Where requested by a member of the Board of Directors, the Company's General Director and other senior executives shall promptly furnish them with full and accurate information. The information provided upon such request shall first be given to the Company's Company Secretary who shall then pass it on to the member who made the inquiry.

The Company's General Director is responsible for the organization, status and accuracy of the Company's accounting practices, timely provision of financial reports to appropriate authorities and timely provision of information regarding the Company's operations to shareholders, creditors and the media.

The terms and conditions of and procedure for payment of compensation to the Company's General Director shall be prescribed in a contract with the General Director that the Remuneration and Nomination Committee shall submit to the Company's Board of Directors for its approval.

Where a candidate for the post of General Director has shares or participation interests or the right to manage shares or participation interests in the charter capital of other companies in the steel and/or iron ore or coal mining industry, and such holdings may lead to a conflict of interest between the Company and such candidate General Director (the ***Participation in Other Entities***), such candidate shall disclose their Participation in other Entities to the Chairman of the Board of Directors and to the members of the Remuneration and Nomination Committee prior to their being recommended for appointment. After their appointment the General Director shall secure, as soon as is reasonably practicable, the disposal of their Participation in Other Entities or undertake other appropriate measures to prevent or reduce the risk of conflict of interests upon consultation with the Chairman and Independent Directors. When making subsequent acquisition of participations in companies in the abovementioned industries, the General Director shall avoid conflict of interest with the Company.

6. Company's Corporate Secretary

To secure shareholders' rights and interests, including the creation of efficient and transparent mechanisms for securing such rights, the Company has a Corporate Secretary.

The Corporate Secretary's responsibilities include securing compliance by the Company, its management bodies and officers with the law and the Company's Charter and internal documents. The Corporate Secretary organizes the communication process between the parties to corporate relations, including the preparation and holding of General Meetings and meetings of the Company's Board of Directors; storage, disclosure and dissemination of information about the Company and reviewing communications from shareholders.

7. Disclosure of Company information

One of the Company's priority tasks consists in ensuring transparency and full disclosure of information about the Company's operations to shareholders and investors.

The Company espouses the principle of voluntary disclosure of information about its business.

Working translation

The Company intends to expand the scope of its regular information releases. Its information channels are expected to give shareholders and investors equal and timely access to information at reasonable cost. The Company publishes draft documents for discussion at shareholders' meetings, information about candidates nominated to the Company's management bodies and its audit bodies.

Regulations on the Company's Information Policy approved by the Company's Board of Directors govern the main principles, rules and procedure of information disclosure.

8. Oversight of the Company's financial/business operations

The Company will secure the creation of a structure of audit bodies that are capable of efficiently monitoring the Company's financial/business operations.

For these purposes the Company employs external auditors that have no other valuable interest in the Company for annual verification and approval of the accounts.

The Company's books and records are audited in compliance with the requirements of:

- Russian law with a frequency therein set out and
- International Standards on Auditing issued by the International Federation of Accountants (IFAC) with respect to financial statements prepared under the International Financial Reporting Standards. Such audit is done annually. Starting from the first quarter 2007 it is planned to make a review of quarterly reports prepared under the International Financial Reporting Standards in accordance with the International Standard on Review Engagements 2400.

The Company shall provide for representatives of the auditors and of the members of the Internal Audit Commission to participate in general shareholders' meetings.

9. Dividends

Shareholders are entitled to a portion of the Company's net profits in the form of dividends under resolutions of the Company's general shareholders' meeting and a dividend policy approved by the Company's Board of Directors.