

Approved  
by the Board of Directors  
of Open Joint Stock Company Severstal  
Minutes No.22-2008 dated 16.05.2008

**Regulations  
for Committees of the Board of Directors  
of Open Joint-Stock Company Severstal**

**1. GENERAL PROVISIONS**

1.1 These Regulations for the Committees of the Board of Directors (*Regulations*) of Open Joint-Stock Company Severstal (*Company*) are adopted pursuant to the Company Charter, the Regulations on the Board of Directors and the Company's Corporate Governance Code. The Regulations set out procedure for creation and operation of the Committees of the Board of Directors.

1.2 The Committees shall be consultative and advisory bodies intended for dealing with issues raised by the Board of Directors. The Committees may not act on behalf of the Board of Directors, they are not management bodies of the Company and are not vested with any powers in relation to managing the Company.

**Committee Election Procedure**

1.3 The Board of Directors shall elect directors to a Committee by a majority of votes cast at a Board meeting by all members present at the Board meeting. When electing Committee members, the Board of Directors shall take into account to the extent possible the requirements that apply to members of that particular Committee. One and the same Board member may be elected to more than one Committee; however the Board shall take into account whether the proposed Board member has the capacity and time for performing the functions of a member in several Committees.

1.4 Committee members shall be elected for a period of time ending at the time when the powers of the Board of Directors are terminated. The Board of Directors may terminate the powers of one or more Committee members; this shall not lead to termination of their authorities as a member of the Board of Directors. The persons elected to the Committees may be re-elected to the office an unlimited number of times.

1.5 A member of the relevant Committee may be elected as Head of Committee (Committee Chairman) by the Board of Directors by a majority of Board members present at the relevant meeting. The Board of Directors may re-elect the chairman of any Committee at any time. Unless otherwise provided for by these Regulations only Independent Directors (hereinafter the term is used as defined in the Corporate Governance Code of the Company) can act as Committee Chairmen. One and the same person may not be the chairman of more than one Committee.

The Strategy Committee may be chaired by any member of the Board of Directors, who is not simultaneously chairman of another ad hoc committee.

### **Procedure for Convening and Holding Committee Meetings**

1.6 Committee meetings shall be held as and when necessary, but in any case at least three times every year. A Committee meeting may be held either by joint attendance of its members or by absentee vote (by telephone, video conference etc).

1.7 A Committee Chairman shall convene Committee meetings at his or her own initiative and when requested by any member of the relevant Committee notifying the corporate secretary of the planned meeting reasonably in advance. Any Board member who is not a member of the Committee, or any executive body or member of the Company's Revision Commission may request the Committee Chairman to procure that the Committee shall consider a matter at a meeting. Such a request may be reviewed at the next scheduled meeting or at a specially convened Committee meeting.

1.8 Any member of the Board of Directors shall have a right to attend a meeting of any committee, irrespective of whether he or she is a member of the relevant committee. The corporate secretary shall notify all the members of the Board of Directors of time, place and agenda of a committee meeting reasonably in advance of the relevant meeting.

1.9 A Committee meeting shall be valid (quorate) if attended by at least half of that Committee's members. Whether a meeting is quorate or not shall be established by the Chairman of that Committee when the meeting is opened.

1.10 A Committee shall make a decision by a majority vote of all Committee members who take part in the meeting. Each Committee member shall have one vote, and the Committee Chairman shall have no casting vote in the event of a tie vote.

1.11 The minutes of the meeting shall be made by the Company's Corporate Secretary and signed by the Chairman of the relevant Committee within five business days following the date of the meeting, whether held by joint attendance or by absentee vote.

1.12 The Committee minutes shall include:

- the date, time and place of the meeting;
- a list of Committee members who took part in the meeting, a list of other persons in attendance at the meeting and the form in which the meeting was held;
- the agenda; and
- the decisions made at the meeting.

Committee minutes shall be executed in two counterparts and held by the Company's Corporate Secretary. A copy of the minutes shall be delivered to any Board member

of the Company (including upon request those directors who are not members of the relevant Committee).

## **Miscellaneous**

1.13 Expenses incurred by Committees in the course of their operations shall be seen as expenses of the Board of Directors and they shall be reimbursed in the instances and in accordance with the procedure as established for reimbursing expenses of the Board of Directors. As and when necessary the Committees may engage experts having the required professional knowledge to assist in their work.

1.14 The Board of Directors may resolve to establish other permanent or *ad hoc* Committees in addition to the Audit Committee, Remuneration and Nomination Committee and Strategy Committee as described below.

## **2. AUDIT COMMITTEE**

2.1 The Audit Committee shall procure that the Board of Directors shall take part in supervising the financial performance and business operations of the Company, including monitoring the status (effectiveness and efficiency) of the Company's risk management, internal control and corporate governance systems.

2.2 The objective of the Audit Committee shall be to assist the Board of Directors in:

- (a) monitoring the timeliness, completeness and reliability of financial and other reporting, its preparation and submission process; and
- (b) the operation of risk management, internal control and corporate governance systems.

2.3 The Audit Committee shall consist of three Independent Directors. At least one member of the Audit Committee shall have recent (relevant and sufficient) experience in the financial area, as well as skills reasonably required for financial statements and business risks analysis and financial management skills. No senior executive of the Company may be a member of the Audit Committee.

2.4 The Audit Committee shall carry out the following functions:

- (a) evaluate candidates proposed as the external auditors of the Company, develop recommendations for the Board of Directors regarding the selection of the external auditors;
- (b) develop recommendations for the Board of Directors regarding the maximum amount of the external auditors' fees;
- (c) review the scope and results of the auditors' work (including the evaluation of the auditors' opinion) and its efficiency and objectivity, and monitor the independence of the external auditor, taking into account the applicable requirements of professional and regulatory bodies in Russia and the UK;

- (d) review the Company's regular financial statements and analyse the changes in accounting policies and practices as well as material adjustments made on the basis of the audit findings;
- (e) review the Company's annual report and any other published financial information prior to its submission for approval to the Board of Directors and its publication;
- (f) review any official statements relating to the Company's financial performance, reviews any opinions concerning significant aspects of financial reporting;
- (g) monitor the effectiveness and efficiency of risk management, internal control and corporate governance systems;
- (h) monitor and exercise control over the efficiency of the internal audit function;
- (i) develop and implement ethical compliance policy for auditors supplying non-audit services, taking into account relevant ethical restrictions applicable to such activities, inform the Board of Directors of any events that require their involvement, and provide recommendations as to the actions necessary to remedy the situation; and
- (j) review any material changes in the existing legislation affecting the Company's financial statements and any findings of supervisory authorities and court proceedings.

2.5 Evaluation of the auditor's opinion prepared by the Audit Committee shall be presented for review to the annual General Shareholders Meeting of the Company.

2.6 Information on the activities of the Audit Committee shall be published as a separate part of the Company's Annual Report.

### **3. REMUNERATION AND NOMINATION COMMITTEE**

3.1 The Remuneration and Nomination Committee shall seek to assist the Company in engaging qualified experts in managing the Company and creating the incentives necessary to ensure their successful work in the Company.

3.2 The Remuneration and Nomination Committee shall consist of three members. At least two members of the Remuneration and Nomination Committee (including the Head (or Chairman) of the Committee) shall be Independent Directors who are not senior executives of the Company.

3.3 The Remuneration and Nomination Committee shall carry out the following functions:

- (a) develop general recommendations for the Board of Directors on selecting nominees to the Board of Directors, proposed by the Board of Directors;

- (b) conduct preliminary evaluation of potential nominees to the Board of Directors, proposed by the Board of Directors and provide the Board of Directors with recommendations regarding such nominees;
- (c) inform the Board of Directors of any potential nominees to the Board of Directors it is aware of and recommend individual persons for nomination or election to the Board of Directors;
- (d) issue an opinion as to whether a person nominated to the Board of Directors qualifies as an Independent Director;
- (e) develop the system of remuneration and other payments made by the Company or at Company's expense (including life and health insurance, pension plans) to Board members of the Company based on personal contributions of its members to the achievement of the Company's strategic objectives;
- (f) prepare and submit for approval by the Board of Directors the appointment and remuneration policy for senior executives of the Company including its General Director;
- (g) review the performance of Board members including as to whether it is advisable to nominate respective Board member for another term in office;
- (h) provide recommendations to the Board of Directors regarding material terms of the General Director's contract; and
- (i) review the information furnished by Board members, which shall be disclosed in accordance with the existing legislation or the Charter, with a view to establishing whether such Board members are interested in any decisions of the Company, as well as information related to the circumstances preventing the aforementioned officers from efficiently discharging their duties as members of the Board and circumstances entailing the loss of independence as a member of the Board of Directors.

#### **4. STRATEGY COMMITTEE**

4.1 The Strategy Committee shall develop and submit to the Board of Directors its recommendations in relation to elaboration of the Company business priorities and its development strategy, including preparation of measures contributing to improvement of the Company business on a long-term basis.

4.2 The Strategy Committee shall consist of three members one of which shall be an Independent Director who is not a senior executive of the Company.

4.3 The Strategy Committee shall carry out the following functions:

- (a) prepare and submit to the Board of Directors its recommendations and proposals in relation to the principal development trends of the strategic planning activity of the Company, as well as to changes and amendments in the Company general strategy;

- (b) analyse and inform the Board of Directors of the principal trends of strategic development pursued by other legal entities, federal authorities and local governments; and
- (c) provide the Board of Directors, at its request, with its consulting assistance in relation to the strategic planning of the Company activities.

## **5. AMENDMENTS**

5.1 These Regulations can be amended or restated by the Board of Directors.

5.2 Where any provision of these Regulations is in conflict with applicable laws of the Russian Federation, the appropriate provisions of applicable laws of the Russian Federation shall prevail.