



NOVOLIPETSK STEEL

APPROVED

by the General Shareholders' Meeting
of Novolipetsk Steel

Minutes of Meeting No. 45
of December 23, 2016

**REGULATIONS
ON THE BOARD OF DIRECTORS**

of Novolipetsk Steel
(revised)

Lipetsk
2016

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These Regulations govern the procedures of the Board of Directors of the Novolipetsk Steel (hereinafter "Company").

Article 1. General

- 1.1. The Board of Directors performs the general administration of the operations of the Company within the procedure stipulated in the Charter of the Company and these Regulations, with the exception of issues referred to the competence of the General Shareholders' Meeting by the Federal law "On Joint Stock Companies".
- 1.2. The issues referred to the competence of the Board of Directors of the Company shall be determined by the Federal law "On Joint Stock Companies" and the Charter of the Company.
- 1.3. The activities of the Board of Directors of the Company shall be governed by the legislation of the Russian Federation, the Company Charter, these Regulations, the Corporate Ethics Code and resolutions of the General Shareholders' Meeting adopted within the competence of the said management body.

Article 2. Members of the Board of Directors

- 2.1. Members of the Board of Directors shall be the individuals elected at the General Shareholders' Meeting of the Company, who were nominated (proposed) for election in the Board of Directors by shareholders and/or by the Board of Directors within the procedure stipulated in the Federal law "On Joint Stock Companies", the Charter of the Company and these Regulations.
- 2.2. The quantitative composition of the Board of Directors is determined by the Charter of the Company.
- 2.3. It is in the Company's interests that the Board of Directors includes at least 3 independent directors.
- 2.4. The Company's Board of Directors can resolve to elect a senior independent director from among the independent directors, who will advise the Chairman of the Board of Directors thus facilitating the efficient work of the Board of Directors, and coordinating the interaction between independent directors, as well as convening, as necessary, and presiding at meetings of independent directors, and communicating with the Company's shareholders.
- 2.5. Persons elected to the Company's Board of Directors may be re-elected infinitely.
- 2.6. The Chairman of the Board of Directors shall be elected by members of the Board of Directors from among them by a majority of votes in the total (listed) number of members of the Board of Directors of the Company.
- 2.7. The office of Deputy Chairman of the Board of Directors may be established in the Board of Directors, and such Deputy Chairman shall be elected from among members of the Board of Directors as proposed by the Chairman of the Board of Directors by a majority of votes cast by the members of the Board of Directors present at the meeting of the Board of Directors.
- 2.8. The Board of Directors shall approve the candidate for the position of Corporate Secretary as put forward by the Chairman of the Board of Directors, to act in accordance with the provisions of the Company's corporate documents.
- 2.9. Members of the collegial executive body of the Company may not make more than one fourth of the Board of Directors members, provided that the said body is formed in accordance with the Federal Law "On Joint Stock Companies" and/or the Charter of the Company.
- 2.10. The President (Chairman of the Management Board) of the Company may not hold the office of the Chairman of the Board of Directors of the Company at the same time. Members of the Board

of Directors of the Company may not be members in the Internal Audit Commission and/or Counting Commission of the Company.

- 2.11. The Board of Directors may, if necessary, form commissions and committees comprised of its members, employees of the Company and/or other involved persons in order to consider and prepare certain issues referred to the competence of the Board of Directors, engage certain specialists and consultants in the activities of the Board by making contracts with such specialists and consultants, and establish new bodies accountable to the Board of Directors.

Article 3. Competence of the Board of Directors

- 3.1. The objectives of the Board of Directors of the Company are to provide maximum profit and increase the Company assets, protect the rights and lawful interests of shareholders, provide permanent control over executive bodies of the Company, provide the completeness, reliability and impartiality of public information concerning the Company.
- 3.2. The Board of Directors shall comply with the following principles in order to reach its objectives:
- prevent prejudice of shareholders' lawful right to participate in the management of the Company;
 - balance the interests of different shareholder groups and maximum impartiality of decisions made by the Board of Directors in the interests of all shareholders of the Company;
 - make informed decisions based on reliable information on the Company activities.
- 3.3. Any inherent ambiguity of guidelines and rules prescribed by regulatory legal and other documents shall be interpreted by the Board of Directors to extend the rights and lawful interests of shareholders. In case certain directors have any doubts or differences concerning the administration of the Company, the said doubts and differences shall be reflected in the minutes of meetings of the Board of Directors.
- 3.4. Competence of the Board of Directors shall be determined by the Charter of the Company. In order to achieve its purposes the Board of Directors shall, within the framework of its competence:
- arrange the execution of resolutions passed by the General Shareholders' Meeting;
 - estimate the political, financial and other risks affecting the activities of the Company as well as activities of the legal entities whose stock or interest is directly or indirectly controlled by the Company, or where the Company is a stockholder, a member or a founder;
 - determine approaches to investments and participation in other organizations;
 - estimate the results of the activity of the Company and its bodies;
 - determine dividend payment conditions;
 - develop systems and methods of material stimulation of the Company's employees;
 - provide disclosure of information on the Company;
 - supervise executive bodies of the Company;
 - provide for the compliance of the Company with the legislation in force;
 - define criteria of materiality of the legal entities whose stock or interest is directly or indirectly controlled by the Company, or where the Company is a stockholder, a member or a founder for decision-making concerning the issues that fall into the scope of competence of the Management Board;

- ensure compliance with corporate governance principles.

3.5. A member of the Board of Directors is entitled to:

- request any information (documents and materials) from the officers and employees of the Company within the procedure stipulated in these Regulations;
- receive remuneration for the performance of his/her duties and compensation of the costs arising in connection with performance of duties of the Board of Directors within the procedure provided by the General Shareholders' Meeting of the Company;
- consider the minutes of meetings of the Board of Directors and other collegial bodies of the Company and obtain copies of such minutes;
- initiate consideration of issues by the Board of Directors, demand for inclusion of a member's special opinion on the issues included in the agenda of the meeting of the Board of Directors in the minutes of the meeting of the Board of Directors.

3.6. A member of the Board of Directors shall:

- be loyal to the Company;
- act within his competence, reasonably, in good faith and in the interests of all shareholders and the Company;
- neither disclose nor use in his own interests or in the interests of third parties the insider information;
- participate in the meetings of the board of Directors;
- participate in adoption of resolutions of the Board of Directors by way of voting upon the issues included in the agenda;
- make reasonable decisions;
- consider all necessary information (materials), make investigations and provide all members of the Board of Directors with any information relevant to resolutions discussed;
- estimate political, financial and other risks and other negative consequences in the course of decision-making;
- participate in evaluation of projects and programmes proposed by the Board of Directors;
- provide the Board of Directors with information on intended transactions in which such member may be an interested party;
- report on sale or purchase of the Company's securities;
- report to other members of the Board of Directors on any non-compliances by employees of the Company (including the officers of the Company) with the legal acts, the Charter or internal regulations and rules of the Company of which such member is aware;
- promptly make the Company aware of changes in their status or personal information, including: combining offices (intent to do so) in the administration bodies of other organizations, as well as the fact of such appointment/election, possible conflicts of interests in case of participating in the companies competing with the Company, circumstances affecting the independent status of a director.

3.7. The job of a member of the Board of Directors shall be permanent and not limited to participation in adoption of resolutions of the Board of Directors.

- 3.8. The Corporate Secretary shall be responsible for the storage of the resolutions and minutes of the Board of Directors and immediately upon the request of the Board of Directors provide certified copies of the said documents.
- 3.9. The President (Chairman of the Management Board) of the Company, members of the Management Board and other officers of the Company shall provide full information on activity of the Company, access to documents and possibility to copy such documents upon the request of a member of the Board of Directors, the Corporate Secretary.

Article 4. Committees

- 4.1. The Board of Directors shall establish the following permanent committees to deal with certain tasks of the Company:
- Strategic Planning Committee;
 - Personnel, Remunerations and Social Policy Committee;
 - Audit Committee.
- 4.2. The Committees are consulting bodies of the Board of Directors; they may not act on behalf of the Board of Directors and have no powers. The tasks and procedures of establishment and operation of each Committee shall be determined by the appropriate internal documents of the Company subject to approval by the Board of Directors and binding for all subdivisions and officers of the Company.
- 4.3. Each of the said committees shall be headed by a member of the Board of Directors appointed by the Board of Directors of the Company. The Chairman of a committee shall usually be an independent member of the Board of Directors. One and the same member of the Board of Directors may not be a member in more than 2 committees.
- 4.4. The Chairman of each committee shall determine, upon agreement with other member of the committee, the regularity and duration of meetings of each committee as well as the agenda of the meetings.

Article 5. Independent members of the Board of Directors

- 5.1. The Company is interested in no less than 3 independent directors to be members of the Board of Directors of the Company. Independent Directors are persons with sufficient competence, experience and independence for forming their own position, objective and honest opinions, independent from the influence of the Company's executive bodies, individual groups of shareholders or other stakeholders.
- 5.2. An Independent Director is a person, who is:
- not related to the Company;
 - not related to the Company's substantial shareholder;
 - not related to the Company's substantial contractor or competitor;
 - not related to the State (Russian Federation, subject of the Russian Federation) or a municipal unit.
- 5.3. The Company's substantial shareholder is a person entitled to directly or indirectly (via the persons under their control), independently or jointly with other persons related therewith by an agreement of fiduciary management of assets, and (or) partnership, and (or) trust agreement, and (or) shareholder agreement, and (or) another agreement concerning the exercising of rights certified by the shares (interest) of the Company, exercise 5 or more percent of the votes covered by the voting shares comprising the Company's authorized capital.

- 5.4. A substantial contractor of the Company is a person who is a party to the agreement (s) with the Company, the amount of obligations under which is 2 or more percent of the book value of the assets, or 2 or more per cent of revenue (income) of the Company (including a group of companies controlled by the Company) or a substantial contractor of the Company (a group of companies that includes a substantial contractor of the Company).
- 5.5. Related persons of an individual are: husband (wife), parents, children, adoptive parents, adopted children, full and half brothers and sisters, grandparents, as well as any other person living with the individual and having a common household therewith.
- 5.6. A person shall be recognized as related to the Company, if they and (or) the persons related thereto:
- are or were in the course of the last 3 years members of the executive bodies or employees of the Company, an organization controlled by the Company and (or) its management company;
 - are members of the Board of Directors of a legal entity that controls the Company or is controlled by it, or a managing company of such a legal entity;
 - during any of the last 3 years, received remuneration and (or) other tangible benefits from the Company and (or) companies controlled by it in excess of half the value of the fixed annual remuneration of a member of the Board of Directors of the Company. This does not include payments and (or) compensations received by these persons as remuneration and (or) reimbursement of expenses incurred in the course of functioning as members of the Board of Directors of the Company and (or) an organization under its control, including those related to their liability insurance as members of the Board of Directors, as well as income and other payments received by these persons on the securities of the Company and (or) an organization under its control;
 - are owners of shares or beneficiaries of the Company's shares that make up more than 1 percent of the authorized capital or the total number of voting shares of the Company or have the market value more than 20 times the value of the fixed annual remuneration of a member of the Board of Directors of the Company;
 - are employees and (or) members of the executive bodies of a legal entity, if their remuneration is determined (considered) by the Remuneration Committee of the Board of Directors (Board of Directors) of this legal entity and a member of the said Committee (Board of Directors) is an employee and (or) member of an executive body of the Company;
 - render consulting services to the Company, the person controlling the Company or legal entities controlled by the Company, or are members of the governing bodies of organizations rendering the Company or the said legal entities such services, or are employees of such organizations directly involved in the rendering of such services;
 - during the last 3 years, have rendered the Company or legal entities under its control services in assessment activities, tax consulting, auditing or accounting services, or in the last 3 years have been members of the governing bodies of organizations rendering such services to the said legal entities, or a rating agency of the Company, or have been employees of such organizations or a rating agency directly involved in the rendering of respective services to the Company.

Besides, if a person has served as a member of the Board of Directors of the Company for over 7 years in the aggregate, he/she should also be recognized as a related person of the Company.

- 5.7. A person shall be recognized as related to a substantial shareholder of the Company, if they and (or) the persons related thereto:
- are employees and (or) members of the executive bodies of a substantial shareholder of the Company (a legal entity of the group of companies that includes a substantial shareholder of the Company);
 - during any of the last three years received remuneration and (or) other tangible benefits from a substantial shareholder of the Company (a legal entity of the group of companies that includes a substantial shareholder of the Company) in the amount exceeding half the value of the fixed annual remuneration of a member of the Board of Directors. This does not include payments and (or) compensations received by these persons as remuneration and (or) reimbursement of expenses incurred in the course of functioning as members of the Board of Directors (Committee of the Board of Directors) of a substantial shareholder of the Company (a legal entity of the group of companies that includes a substantial shareholder of the Company), including those related to their liability insurance as members of the Board of Directors, as well as income and other payments received by these persons on securities of a substantial shareholder of the Company (a legal entity of the group of companies that includes a substantial shareholder of the Company);
 - are members of the Board of Directors of more than 2 legal entities controlled by a substantial shareholder of the Company or an entity controlling a substantial shareholder of the Company.
- 5.8. A person shall be recognized as related to a substantial contractor or competitor of the Company, if they and (or) the persons related thereto:
- are employees and (or) members of the management bodies of a substantial contractor or competitor of the Company, as well as legal entities that control a substantial contractor or competitor of the Company or organizations controlled by it;
 - are the owners of stock (shares) or beneficiaries of stock (shares) of a substantial contractor or competitor of the Company, which constitutes more than 5 percent of the authorized capital or the total voting stock (shares).
- 5.9. A person shall be recognized as related to the state or a municipal unit, if they:
- was are or were within a year preceding their election to the Board of Directors of the Company, a state or municipal employee, a deputy officer in the government authorities, an employee of the Bank of Russia;
 - are a representative of the Russian Federation, a subject the Russian Federation or a municipality in the Board of Directors of the Company with a special right to participate in management has been taken ("golden share");
 - are obliged to vote on one or more matters within the competence of the Board of Directors of the Company in accordance with the directive of the Russian Federation, the Russian Federation subject or a municipality;
 - are or have been within one year prior to their election to the Board of Directors, a member of an executive body or an employee vested with managerial authorities of an organization under the control of the Russian Federation, the Russian Federation subject or a municipality, an employee of a state or municipal unitary enterprise or institution (except for employees of state or municipal educational or scientific organizations engaged in teaching or research activities and not appointed (approved) to the position of the sole executive body or another office in a state and municipal educational or scientific organization by or with the consent of the state (local) authorities).

- 5.10. The Committee on Human Resources, Remuneration and Social Policy with the Board of Directors assesses the independence of candidates to the Board of Directors and gives an opinion on the independence of the candidate, and also regularly monitors how the independent members of the Board of Directors meet independence criteria.
- 5.11. In some exceptional cases the Board of Directors in the process of assessment may recognize an independent status of a member of the Board of Directors, despite him/her having any formal criteria of being related to the Company, a substantial shareholder of the Company, a substantial contractor or a competitor Company, if such relatedness does not affect the ability of the individual to exercise independent, objective and honest judgements.
- 5.12. An independent director should refrain from actions as a result of which they could cease to be independent. If after being elected to the Board of Directors, any circumstances arise that result in an independent director ceasing to be independent, such a director shall immediately notify the Board of Directors of such circumstances. In this case and in other cases when the Board of Directors becomes otherwise aware of such changes or circumstances, the Board of Directors shall inform the shareholders of the Company thereof and, if necessary, convene an extraordinary General Shareholders' Meeting for the purpose of electing a new Board of Directors.
- 5.13. Information about independent directors shall be disclosed in the Company's annual report.

Article 6. Term of powers of the Board of Directors

- 6.1. Members of the Board of Directors shall be elected by the General Shareholders' Meeting under the procedure stipulated in the Federal law "On Joint Stock Companies" and the Charter of the Company, for the term which lasts until the next annual General Shareholders' Meeting. In case the General Shareholders' Meeting was not held within the terms stipulated in the Federal law "On Joint Stock Companies" and the Charter of the Company, powers of the Board of Directors shall terminate, except the powers of preparation, summons and holding the annual General Shareholders' Meeting.
- 6.2. In case members of the Board of Directors are elected by the extraordinary General Shareholders' Meeting of the Company, their powers shall terminate from the moment of election of the new Board of Directors at the annual General Shareholders' Meeting within the procedure stipulated in the Law and the Charter of the Company.

Article 7. Nomination of candidates to the Board of Directors

- 7.1. Shareholder(s) possessing no less than 2 per cent of voting shares of the Company may nominate candidates to the Board of Directors of the Company for election at the Annual General Shareholders' Meeting of the Company, provided that the number of such candidates does not exceed the number of members in the appropriate body at the date of nomination. Such nominations shall be received by the Company no later than 60 days after the end of the reporting year, unless a later term is stipulated in the Charter of the Company. If the proposed agenda of the Extraordinary General Shareholders' Meeting includes election of members to the Board of Directors, shareholder(s) of the Company possessing a total of no less than 2 per cent of voting shares of the Company may nominate candidates to be elected to the Board of Directors of the Company, provided that the number of such candidates does not exceed the number of members in the Board of Directors. Such nominations shall be received by the Company no later than 30 days before the date of the Extraordinary General Shareholders' Meeting, unless a later term is stipulated in the Charter of the Company.

- 7.2. Nomination of candidates to the Board of Directors shall be executed by shareholder(s) by means of the appropriate proposal in writing submitted to the Corporate Secretary of the Company or sent by registered mail to the address of the Company.

Company's shareholder(s) not registered in the Company's shareholder register can put forward proposals on candidates to the Company's Board of Directors by issuing respective orders (instructions) to the person keeping records of their share rights. Such orders (instructions) shall be issued in accordance with the rules of the Russian laws on securities.

- 7.3. The proposal on nomination of candidates to the Board of Directors (including self nomination) shall include:

- last name, first name, patronymics and the details of the identification document (series and (or) number of the document, the date and place of the issue, the authority, which issued the document), age, education, office held at the moment of nomination, information on whether the candidate is the single-person executive body, a member of the Management Board, an officer of the Company, number and category (class) of shares held by the candidate (in case the candidate is a shareholder of the Company);
- last name, first name, patronymics or name of the shareholder(s) nominating the candidate, number and category (class) of shares held by them.

- 7.4. The proposal shall be signed by the shareholder or his proxy (attorney).

7.4.1 In case the proposal on nomination of a candidate to the Board of Directors is signed by the shareholder's attorney, such proposal shall be accompanied by the power of attorney or its notarized copy.

7.4.2 In case the proposal on nomination of candidates to the Board of Directors is submitted by corporate shareholder(s), the signature of an attorney of legal entity acting without power of attorney according to the powers provided by the Charter or other constituent document may be affixed by the seal of the said legal entity. In this case powers of a person acting on behalf of a corporate shareholder shall be confirmed according to the procedure envisaged by the applicable legislation of the Russian Federation.

7.4.3 The proposal on nomination of candidates shall be accompanied by consents of candidates to the Board of Directors of the Company to hold the office of a member of the Board of Directors.

7.4.4 If a proposal of a candidate is signed by shareholders (a shareholder) whose share rights are accounted by depot accounts in the depository, such proposal shall be accompanied with a statement of depot account in the depository which registers rights for the subject shares.

- 7.5. All documents submitted by shareholders for the purposes of nomination of candidates to the Board of Directors of the Company shall be in Russian or be accompanied by notarized translations into Russian.

- 7.6. The Board of Directors shall review the received proposals and decide on inclusion of candidates nominated by shareholders into the list of candidates for election to the Board of Directors or on refusal of such inclusion within 5 working days from the end of the term for submission of proposals stipulated in the Charter of the Company.

- 7.7. Resolution on refusal to include the nominated candidates into the list of candidates may be passed by the Board of Directors in the following cases:

- shareholder(s) fail to comply with the terms established for submission of proposals by the Charter of the Company and these Regulations;

- shareholder(s) do not hold the number of voting shares of the Company stipulated by the Charter of the Company and these Regulations;
 - the proposal does not comply with the requirements stipulated in clauses 7.2-7.5 of these Regulations.
- 7.8. A motivated resolution of the Board of Directors of the Company rejecting the proposal to put a candidate on the list of nominees to the Board of Directors of the Company shall be sent to shareholder(s) who have submitted the proposal within 3 working days from the date of its passing.
- 7.9. In case shareholder(s) of the Company demand the summons of the extraordinary General Shareholders' Meeting with the agenda including the issue of election to the Board of Directors of the Company, the Board of Directors shall, simultaneously with passing the resolution on the summons of such extraordinary General Shareholders' Meeting, inform shareholders of the procedure for nomination of candidates to the Board of Directors, including the following conditions:
- 7.9.1 Proposals on nomination of candidates to the Board of Directors of the Company to be elected at the extraordinary General Shareholders' Meeting shall be submitted by shareholders entitled to nominate candidates to the Board of Directors at the annual General Shareholders' Meeting in accordance with the provisions of the Federal law "On Joint Stock Companies" and the Charter of the Company.
- 7.9.2 Proposals on nomination of candidates to the Board of Directors of the Company to be elected at the extraordinary General Shareholders' Meeting shall be received by the Company no less than 30 days prior to the date of the extraordinary General Shareholders' Meeting.
- 7.9.3 Statements of shareholders containing proposals on nomination of candidates to the Board of Directors of the Company are considered submitted in case of compliance with the procedure envisaged by clause 7.2 of these Regulations prior to the last day of the term provided by clause 7.9.2 of these Regulations. Proposals received by the Company after the said date are not taken into account by the Board of Directors when approving the list of candidates for election to the Board of Directors.
- 7.10. The Board of Directors of the Company shall consider the proposals of shareholders on nomination of candidates to the Board of Directors received in proper time and make a decision on such proposals within 5 working days upon expiration of the term prescribed for submission of proposals.
- 7.11. Shareholder(s) who have nominated candidates to the Board of Directors of the Company may revoke their proposals in respect of certain candidates before resolution is passed by the Board of Directors on approval of the list of candidates for election to the Board of Directors. Revocation of candidates nominated to the Board of Directors of the Company by other shareholders is not allowed.

Article 8. Election to the Board of Directors

- 8.1. Members of the Board of Directors are elected by cumulative voting at the General Shareholders' Meeting. In case of a cumulative voting the number of votes owned by each shareholder shall be multiplied by the number of members to be elected to the Company's Board of Directors.
- 8.2. A shareholder may vote with all his votes granted by the shares he owns for one candidate, or he can distribute them among two or more candidates to the Board of Directors of the Company.

- 8.3. The candidates who have polled a majority of votes within the size of the Board of Directors stipulated in the Charter of the Company are considered elected in the Board of Directors of the Company.
- 8.4. Candidates to the Board of Directors of the Company may claim revocation of his/her candidature prior to the beginning of voting upon the issue by submitting the application in writing to the Presidium of the General Shareholders' Meeting, provided that such application is announced to the shareholders of the Company present at the meeting. Submission of this application shall not cause exclusion of the candidate from the voting ballot for election to the Board of Directors of the Company and does not affect the results of voting on this issue.
- 8.5. In case the candidate is elected to the Board of Directors, he shall, within 15 days from the date of publishing the results of the voting, provide to the Corporate Secretary in writing the following information: passport details (date and place of birth, series and number of passport, place of residence), information on offices held by him for the last 5 years, office held at the moment of election, nature of relationships with the Company, possession of the Company's securities, membership in Boards of Directors or holding offices in other legal entities, information on relationships with affiliated persons and large counterparts of the Company, contact telephone number and the address for sending correspondence.
- 8.6. Members of the Board of Directors shall inform the Corporate Secretary of sale or purchase of the Company's securities.

Article 9. Chairman of the Board of Directors

- 9.1. The Chairman of the Board of Directors of the Company shall be elected by members of the Board of Directors of the Company among them by a simple majority of total number of members of the Board of Directors, unless otherwise stipulated in the Charter of the Company.
- 9.2. The Company's Board of Directors may at any time re-elect its Chairman by a majority of votes of members in the Board of Directors.
- 9.3. The person performing the duties of the sole executive body of the Company may not simultaneously hold the title of the Chairman of the Board of Directors of the Company.
- 9.4. Chairman of the Company's Board of Directors shall organize its work:
 - convene meetings of the Board of Directors and preside at such meetings;
 - ensure the timely provision of information (materials) required for decision-making on the agenda to the members of the Board of Directors;
 - ensure that effective decisions on the agenda are made, including initiating draft resolutions;
 - arrange for the taking of minutes of meetings;
 - organize decision-making by the Board of Directors by absentee vote;
 - preside at the General Shareholders' Meeting unless otherwise provided for by the Company Charter.
- 9.5. The Chairman of the Board of Directors or any other person duly authorized by the Board of Directors shall sign agreements (contracts) with the President (Chairman of the Management Board) and members of the Management Board of the Company on behalf of the Company following the procedure stipulated by the Federal law "On Joint Stock Companies" and the Charter of the Company.
- 9.6. In the absence of the Chairman of the Board of Directors, his duties shall be performed by the deputy Chairman or by a member of the Board of Directors in accordance with the resolution of

the Board of Directors adopted by a simple majority of votes given by members of the Board of Directors present at the meeting.

9.7. The Chairman of the Board of Directors may not delegate his powers to another person.

Article 10. Corporate Secretary

10.1. The Board of Directors shall approve the candidate for the position of the Corporate Secretary advised by the Chairman of the Board of Directors by a simple majority of votes from the total number of members of the Board of Directors.

10.2. The Corporate Secretary is appointed and dismissed by the Company's President (Chairman of the Management Board) based on a resolution from the Board of Directors.

10.3. The Corporate Secretary is entitled to:

- request information and documents from shareholders, members of the Board of Directors, officers of the Company;
- involve managers and specialists of the Company in preparation of materials for meetings of the Board of Directors and the General Shareholders' Meeting.

10.4. The person performing the duties of the President (Chairman of the Management Board) of the Company may not simultaneously be the Corporate Secretary.

10.5. Activities of the Corporate Secretary of the Company shall be governed by the provisions of the Company's corporate documents.

Article 11. Remuneration of members of the Board of Directors and reimbursement of expenses incurred by them in performing their duties

11.1. Members of the Board of Directors during performance of their duties may receive remuneration and reimbursement of the expenses arising in connection with exercising their powers of members of the Board of Directors of the Company.

11.2. The rate, conditions and procedure of remuneration payment and expenses reimbursement to the Board of Directors members are established by the Regulations on the Board of Directors members' remuneration approved by the General Shareholders' Meeting.

Article 12. Termination of powers of members of the Board of Directors

12.1. Powers of members of the Board of Directors shall be terminated from the moment of election of the new Board of Directors by the General Shareholders' Meeting.

12.2. Powers of members of the Board of Directors of the Company may be subject to early termination at any time by resolution of the General Shareholders' Meeting of the Company. Such resolution may be adopted by the General Shareholders' Meeting of the Company in respect of all members of the Board of Directors only. The election of the new Board of Directors shall be carried out simultaneously with passing the resolution by the General Shareholders' Meeting on early termination of powers of members of the Board of Directors.

12.3. In case the size of the Board of Directors becomes less than a half of the size envisaged by the Charter of the Company, the Company shall convoke the extraordinary General Shareholders' Meeting for election of a new Board of Directors. Remaining members of the Board of Directors of the Company may only pass the resolution on the convening of such extraordinary General Shareholders' Meeting.

Article 13. Main provisions regarding meetings and decision-making procedure of the Board of Directors of the Company

- 13.1. Meetings of the Board of Directors shall be convoked by the Chairman of the Board of Directors in accordance with the annual Plan of meetings approved by the Board of Directors.
- 13.2. The Chairman of the Board of Directors shall determine the venue of each Board of Directors meeting.
- 13.3. The agenda of the forthcoming meeting of the Board of Directors shall be approved by the Chairman of the Board of Directors of the Company. The draft agenda for the meeting of the Board of Directors shall be prepared by the Corporate Secretary of the Company with respect to proposals (requests) received from members of the Board of Directors, the President (Chairman of the Management Board) and/or the Management Board, Internal Audit Commission, the Auditor of the Company as well as shareholders of the Company.
- 13.4. Extraordinary meetings of the Company's Board of Directors shall be summoned by the Chairman of the Board of Directors at his own discretion, upon request of a member of the Board of Directors, Internal Audit Commission, Auditor, the President (Chairman of the Management Board) and shareholder(s) owning in total no less than 2 percent of voting shares of the Company.
- 13.5. An extraordinary meeting of the Board of Directors of the Company shall be called by the Chairman of the Board of Directors within 15 calendar days from the date of receipt of the appropriate written request by the Company from the abovementioned persons containing wording of issues proposed for discussion at the meeting of the Board of Directors and the grounds for raising such issues.
- 13.6. The agenda of the meeting of the Board of Directors summoned by the Chairman of the Board of Directors of the Company upon the request of a member of the Board of Directors, the Internal Audit Commission, the Auditor of the Company or the executive body of the Company shall include the issues proposed by the said persons or bodies and other issues included at the discretion of the Chairman of the Board of Directors of the Company and referred to the competence of the Board of Directors in accordance with the Federal law "On Joint Stock Companies" and the Charter of the Company.
- 13.7. Notices of the place, date, time and agenda of meetings of the Board of Directors shall be sent to each member of the Board of Directors by registered mail or by wire to the addresses specified by the members of the Board of Directors. The said notices shall be sent to the members of the Board of Directors no later than 7 calendar days prior to the date of the appropriate meeting of the Board of Directors. In case the meeting of the Board of Directors is summoned to review the demand to convene the extraordinary General Shareholders' Meeting, notices of the meeting of the Board of Directors shall be sent by facsimile no later than 2 days before the date of the Board of Directors meeting. A member of the Board of Directors shall inform the Company of his mailing address and contact phone numbers. In case the Company has no information on the mailing address and contact telephone numbers of a member, the Chairman of the Board of Directors or other persons summoning the meeting shall not be responsible for due notification of this member of the Board of Directors about the meeting of the Board of Directors.
- 13.8. The Corporate Secretary of the Company may send the notices to members of the Board of Directors by facsimile on telephone (fax) numbers specified by members of the Board of Directors as contact telephone numbers simultaneously with sending such notices by mail or by wire.
- 13.9. Members of the Board of Directors may request for consideration the information (materials) regarding the agenda to be submitted by the Corporate Secretary for the next meeting of the Board of Directors; such information (materials) shall be sent to members of the Board of Directors simultaneously with the notifications of meetings. Such consideration of materials may

also be provided without limitation of time (within a working day) in the premises used by the Corporate Secretary for these purposes at the location of the Company.

- 13.10. In case the issues put to consideration of the Board of Directors are confidential (e.g., contracts or draft contracts containing the condition on confidentiality to which the Company is a party), members of the Board of Directors shall give the promise in writing to the Company not to disclose the confidential information of which they become aware of before obtaining the appropriate documents. In case of refusal by a member of the Board of Directors of the Company to provide the said commitment on nondisclosure of confidential information, the Corporate Secretary may refuse to provide the document for consideration to such member of the Board of Directors.
- 13.11. Members of the Board of Directors shall personally participate in the work of this body. Transfer of the voting right by a member of the Board of Directors to other persons, including other members of the Board of Directors, is not allowed.
- 13.12. A member of the Board of Director not present at the meeting of the Board of Directors shall notify the Chairman of the Board of Directors of his absence in good time.
- 13.13. A member of the Board of Directors not present at the meeting of the Board of Directors may submit to the Chairman of the Board of Directors in advance an opinion in writing on the issues included in the agenda of the meeting of the Company's Board of Directors.
- 13.14. The quorum for the meeting of the board of Directors is at least a half of elected members of the Board of Directors. In determining the quorum the members shall be registered who are present at the meeting of the Board of Directors or have submitted to the Chairman of the Board of Directors an opinion in writing on the issues included in the agenda prior to the beginning of the meeting of the Board of Directors in accordance with the clause 33.5 of the Charter of the Company and clause 13.13 of these Regulations.
- 13.15. Resolutions at meetings of the Board of Directors shall be adopted by means of open voting by simple majority of members of the Board of Directors present at the meeting, unless otherwise stipulated in this Charter and the Federal law "On Joint Stock Companies".
- 13.16. Each member of the Board of Directors has one vote when resolving issues at the meetings of the Board of Directors. Transfer of the voting right by a member of the Board of Directors to another person, including another member of the Board of Directors, is not allowed.
- 13.17. Voting of members of the Board of Directors upon the issues included in the agenda at the meeting of the Board of Directors shall be executed by voting ballots upon the issues included in the agenda which shall be signed by each Board member present.
- 13.18. Members of the Board of Directors who vote against the resolution on the issue put to a vote may submit to the Corporate Secretary their opinion in writing on that issue within 2 calendar days at the latest from the date of the meeting which shall be attached to the minutes of the meeting of the Board of Directors.
- 13.19. Meetings of the Board of Directors may be held by absentee voting (by ballot) at the discretion of the Chairman of the Board of Directors. In case the meeting of the Board of Directors is called at the discretion of the persons named in clause 33.3. of the Charter of the Company and clause 13.4. of these Regulations, the form of the meeting of the Board of Directors may be determined by the persons who have initiated the convening of the meeting of the Board of Directors.
 - 13.19.1. Resolution of the Chairman of the Board of Directors on holding the meeting by ballot shall contain:
 - wording of the issues included in the agenda;

- wording of draft resolutions upon the issues included in the agenda;
- the form of the ballot for voting by poll;
- list of data (materials) to be provided to members of the Board of Directors;
- date of sending the ballots to members of the Board of Directors;
- date and address for receipt of ballots for voting by poll.

- 13.19.2. The Chairman of the Board of Directors shall decide on holding the meeting by absentee voting (by poll) within 5 calendar days at the latest from the moment when he receives the duly executed request from the persons named in the clause 33.3. of the Charter of the Company.
- 13.19.3. Resolution on absentee voting adopted by the Chairman of the Board of Directors, voting ballots and other information (materials) to be provided to members of the Board of Directors shall be sent to the addresses of the said members by registered mail with return receipt requested or delivered personally to members of the Board of Directors against receipt no later than the date determined for providing the voting ballots to members of the Board of Directors. In case of sending the documents by registered mail the date of actual delivery to members of the Board of Directors shall be determined according to the date specified in the return receipt for the said correspondence.
- 13.19.4. The date for receipt of ballots sent in order to determine the results of the absentee voting in the course of passing resolutions by the Board of Directors may not be earlier than 5 and later than 15 calendar days from the date of sending ballots to members of the Board of Directors.
- 13.19.5. The date for receipt of the ballot from a member of the Board of Directors in the course of passing resolutions by absentee voting shall be determined according to the date of the post office stamp certifying sending of the registered mail with the return receipt requested by which executed ballots are sent to the address of the Board of Directors, or according to the date of actual delivery of the ballots to the address specified for receipt of ballots.
- 13.19.6. Members of the Board of Directors are considered having participated in the meeting of the Board of Directors held in the form of absentee voting in case their ballots were sent by mail or delivered at the address specified for receipt of ballots no later than the determined deadline for receipt of ballots.
- 13.19.7. The Corporate Secretary of the Company shall draft the minutes upon the results of the absentee voting within 3 days to which all ballots received from members of the Board of Director within the prescribed term shall be attached. Resolutions passed by the Board of Directors by absentee voting shall be announced to members of the Board of Directors according to the procedure provided by these Regulations and within 5 calendar days at the latest from the date of signing the appropriate minutes by the Chairman of the Board of Directors.
- 13.19.8. Resolution of the Board of Directors adopted at the meeting of the Board of Directors shall come into force from the date on which the results of the voting upon the appropriate issue are announced.
- 13.19.9. Resolution of the Board of Directors is considered adopted by absentee voting if it was supported by a majority of elected members of the Board of Directors.

Article 14. Minutes of meetings of the Board of Directors

- 14.1. The minutes of meeting of the Board of Directors shall be kept by the Corporate Secretary or other person appointed by the Corporate Secretary. The minutes of meeting of the Board of Directors shall be executed no later than 3 days from the date of the meeting.
- 14.2. The minutes of meeting of the Board of Directors shall include:
- place and date of the meeting;
 - names of persons present at the meeting;
 - agenda of the meeting;
 - issues put to a vote and the results of voting upon such issues;
 - resolutions.
- 14.3. The minutes of the meeting of the Company's Board of Director shall be signed by the person presiding at the meeting who is responsible for the accuracy of the minutes, and by the Corporate Secretary, and shall be affixed by the seal of the Corporate Secretary of the Company.
- 14.4. Voting ballots with the issues included in the agenda, written opinions received from members of the Board of Directors according to the procedure provided by the Charter of the Company, voting ballots and other documents to be provided by members of the Board of Directors according to these Regulations shall be attached and/or filed to the minutes of meetings of the Board of Directors.
- 14.5. The Company shall keep the minutes specified in 14.4. at the location of its executive body or in another place determined by the Board of Directors of the Company. The Corporate Secretary of the Company is responsible for keeping the said documents and materials.

Article 15. Relationships with other management and control bodies of the Company

- 15.1. Resolutions passed by the General Shareholders' Meeting of the Company within the competence of this supreme management body determined by the Federal law "On Joint Stock Companies" and the Charter of the Company are binding for the Board of Directors.
- 15.2. The Board of Directors shall be represented before other management and/or control bodies of the Company by the Chairman of the Board of Directors or by another person duly authorized by a resolution of the Board of Directors and acting by the power of attorney signed by the Chairman of the Board of Directors.
- 15.3. Members (member) of the Board of Directors who have the opinion other than the agreed position of the Board of Directors upon any issue referred to the competence of the Board of Directors may set forth their arguments and announce their opinion to shareholders at the General Shareholders' Meeting of the Company.
- 15.4. Member of the Board of Directors who disagree with any resolution passed by the Board of Directors may not argue or comment on that resolution of the Board of Directors in mass media until that resolution of the Board of Directors is recognized as invalid in a court of law.
- 15.5. The President (Chairman of the Management Board) of the Company, members of the Management Board of the Company and heads of subdivisions of the Company (within their competence) shall promptly provide any complete and reliable information upon request from members of the Board of Directors concerning the operations of the Company, its subsidiaries and affiliates, as well as complete and reliable information on items included in the agenda of the meeting of the Board of Directors, except information that is a state secret or another legally protected secret. In this case the information requested shall be submitted to the Corporate

Secretary to be announced by him to the member of the Board of Directors who made the request.

- 15.6. If it is impossible to provide the requested information to the Board members, the collegial management bodies and executives of the Company shall promptly inform the Corporate Secretary in writing of the reasons for the impossibility of providing this information.
- 15.7. For failure to comply with the obligation to provide the requested information provided for by these clauses, the parties at fault shall be liable under the law.

Article 16. Responsibility of members of the Board of Directors

- 16.1. Members of the Board of Directors shall exercise their rights and perform their duties for the benefit of the Company, reasonably and in good faith.
- 16.2. Members of the Board of Directors bear full material responsibility before the Company for direct actual loss and recover damages incurred to the Company by their guilty actions (omissions), unless other grounds and amount of responsibility are stipulated in federal laws. However, members of the Board of Directors who voted against the resolution which had caused such damages to the Company or did not participate in that voting shall not be held responsible.
- 16.3. Ordinary course of business and other circumstances having significance for the case may be taken into account in determining the grounds of responsibility and the amount of loss (damages).
- 16.4. The Company or shareholder(s) possessing no less than 1 per cent of distributed common shares of the Company may apply to the court of law with a claim against a member of the Board of Directors for recovery of damages incurred by the Company in the case envisaged by clause 16.2. of these Regulations.

Article 17. Approval and amendments of the Regulations on the Board of Directors

- 17.1. The Regulations on the Board of Directors are subject to approval by the General Shareholders' Meeting of the Company and are binding for all members of the Board of Directors.
- 17.2. These Regulations shall be amended and/or supplemented as well as approved as amended by the General Shareholders' Meeting.
- 17.3. In case certain provisions of these Regulations become contradicting to any amendments made in the applicable legislation of the Russian Federation, such provisions of the Regulations shall not be applied; in this case members of the Board of Directors shall act in accordance with the applicable legislation of the Russian Federation and the provisions of the Charter of the Company.