

**APPROVED**  
*by the General Shareholders Meeting  
of Open Joint Stock Company “Novolipetsk Steel”*

*Minutes of Meeting No. 37 dd. 07 June 2013*

**REGULATIONS ON THE MANAGEMENT BOARD**

**Open Joint Stock Company  
Novolipetsk Steel**

(new revision)

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These Regulations have been elaborated in accordance with the Civil Code of the Russian Federation, Federal Law “On Joint Stock Companies” and the Charter of Open Joint Stock Company Novolipetsk Steel (hereinafter “the Company”) and govern the procedure of the Company’s Management Board operation.

## **1. General provisions**

1.1. The Management Board is a collective executive body of the Company and acts in accordance with the Charter of the Company and these Regulations approved by the General Shareholders Meeting.

The exclusive competence of the Management Board shall be determined by the Company’s Charter and these Regulations.

1.2. The Company’s President shall be the Chairman of the Management Board.

1.3. The activities of the Management Board are governed by the legislature of the Russian Federation, by the Charter of the Company, by these Regulations and by the resolutions of the General Shareholders Meeting and the Board of Directors.

## **2. Objectives and principles of the Management Board**

2.1. The main objective of the Management Board is to ensure efficient operation of the Company.

2.2. The Management Board shall comply with the following principles in order to reach its objectives:

- to take prompt decisions as impartially as possible in the interests of the Company and its shareholders;
- fair, prompt and efficient execution of the decisions of the General Shareholders Meeting and the Board of Directors of the Company;
- interaction with trade unions of the Company’s employees with the purpose of taking into account the employees' interests;
- interaction with state authorities and self-government bodies on the issues which are the most significant for the public.

## **3. Competence of the Management Board**

The competence of the Management Board includes:

3.1. Drafting of the development concept, long-term plans and basic operational programs of the Company, including its budget and investment programs, and submission thereof to Company’s Board of Directors for approval; preparing reports on their status, and developing and approving the Company’s current activity plans.

3.2. Determination of the procedure of the Company’s interaction with subsidiaries, affiliates and other legal entities, of which the Company is a shareholder, founder or member, including approval of respective instructions, regulations, etc.

3.3. Appointment of the Company’s representatives for the participation in the shareholder meetings of subsidiaries, affiliates and other legal entities, of which the Company is a shareholder, founder or member, as well as approval of voting instructions on agenda items for those representatives.

3.4. Approval of proposals concerning agendas of meetings, sessions of supreme control bodies of subsidiaries, affiliates and other legal entities, of which the Company is a shareholder, founder or member, as well as lists of candidates nominated to management and control bodies.

3.5. Defining the standing (also as recommendations or conclusions) on issues considered by control bodies of subsidiaries, affiliates and other legal entities, of which the Company is a shareholder, founder or member, related to approval of their budgets, principal directions of development, governance structure and other issues material for the Company.

3.6. Giving recommendations to the Company’s Board of Directors regarding the approval of major transactions and/or interested-party transactions brought to the Board of Directors for consideration in accordance with its competence.

3.7. Giving recommendations to the Board of Directors regarding priority trends of the Company’s activity including working out and presenting for the Board’s consideration development concepts of subsidiaries, affiliates and other legal entities, of which the Company is a shareholder, founder or member.

3.8. Approval of the Company's transactions with assets when the transaction-relevant payment

amounts or subject property value exceeds 10 % of the Company's assets' book value as of the latest reporting date (with the exception of the Company's regular economic transactions).

3.9. Taking decisions as to participation or cessation of participation of the Company in other entities (with the exception of the entities the decisions on which are in the competence of the General Meeting of the Shareholders or that of the Board of Directors in accordance with the Company's Charter).

The powers described in clauses 3.2, 3.3, 3.4, 3.5, 3.7 above are exercised by the Management Board in relation to material subsidiaries, affiliates and other legal entities of which the Company is a participant, founder or a member. The materiality criteria shall be set the Board of Directors.

#### **4. Members of the Management Boards and its establishment procedure**

4.1. The Management Board shall be established in accordance with the Company's Charter.

The structure and number of members of the Management Board are approved by the Company's Board of Directors taking into account the opinion of the President (Chairman of the Management Board).

The members of the Management Board are approved by the Board of Directors from the candidatures proposed by the President (Chairman of the Management Board). If the Board of Directors rejects the candidates proposed by the President (Chairman of the Management Board), the latter shall be entitled to propose the names of the candidates to the management Board one more time. The Board of Directors is entitled to independently approve other persons as members of the Management Board if the candidates proposed by the President (Chairman of the Management Board) were rejected twice.

4.2. The President (the Chairman of the Management Board) shall organize the Management Board's activities and ensures timely decision-making by the Management Board.

The functions of the President (Chairman of the Management Board) shall be entrusted to the Deputy President (Chairman of the Management Board) when the former is absent.

Deputy President (Chairman of the Management Board) shall be appointed by the Board of Directors.

4.3. The Management Board shall form structural units. The provisions defining, inter alia, the directors' competence shall be approved by the Company's Board of Directors.

4.4. Members of the Management Board with the right of advisory vote with regard to the issues to be considered by the Management Board may be members of the Management Board.

4.5. The Secretariat may be formed to support the activity of the Management Board. The head of the Secretariat shall appoint a secretary to make minutes of meetings of the Management Board.

4.6. The members of the Management Board shall exercise their powers until the new Management Board structure is approved and/or the members of the Management Board are changed.

4.7. A contract with each member of the Management Board shall be signed by the Chairman of the Board of Directors or by a person authorized by the Board of Directors, acting on behalf of the Company, and can be terminated at any time by a decision of the Board of Directors, subject to applicable laws of the Russian Federation.

4.8. Members of the Management Board may not be members of the Internal Audit Commission and/or Counting Commission of the Company.

#### **5. Procedures for meetings and decision-making by the Management Board**

5.1. The Management Board shall conduct its meetings as the need arises. The Management Board meetings shall be summoned by the President (Chairman of the Management Board) at his own initiative, at the request of a member of the Management Board and at the initiative of the Company's Board of Directors, Auditor or Internal Audit Commission.

The President (Chairman of the Management Board), or his Deputy if the former is absent, shall summon and conduct the Management Board meeting within 10 days from the moment of receipt of the corresponding request.

5.2. The agenda of the forthcoming meeting of the Management Board shall be approved by the President (Chairman of the Management Board), or his Deputy if the former is absent. The draft agenda of the Management Board meeting shall be prepared by the Management Board Secretariat taking into account the proposals from the members of the Management Board.

5.3. The members of the Management Board shall be notified by the Secretariat on the venue, date and time of the Management Board meeting as well as its agenda 3 calendar days before the date of the respective meeting at the latest. The Management Board meetings shall be conducted at the venue

determined by the person requesting to convene the meeting.

5.4. Members of the Management Board may review the information (materials) on the issues included in the agenda submitted by the Secretariat of the Management Board before the scheduled meeting.

5.5. The quorum for the meeting of the Management Board is at least a half of members of the Management Board. To determine the quorum the Management Board members personally present at the meeting and those who have submitted to the President (Chairman of the Management Board) their written opinions on the agenda issues prior to the meeting shall be taken into account. An advisory vote of a Management Board member shall be considered neither when passing resolutions by the Company's Management Board, nor when determining the quorum

5.6. The Management Board meetings shall be presided over by the President (Chairman of the Management Board) or, in his absence, his/her deputy. In the absence of both the President (Chairman of the Management Board) and the person acting as the President (Chairman of the Management Board), one of members of the Management Board shall preside in accordance with the resolution adopted by the Management Board.

5.7. Each member of the Management Board shall have one vote for the purposes of passing resolutions at the meetings of the Management Board. Transfer of a vote by a member of the Management Board to another person, including a member of the Management Board, is not allowed. Resolutions at the meetings of the Management Board shall be passed by a majority of votes (more than a half of the members present at the meeting).

The vote of the person presiding at the meeting of the Management Board is the casting vote in case of equal number of votes of the members of the Management Board.

5.8. Members of the Management Board shall be present at the meetings of the Management Board. In case a member of the Management Board is unable to participate in the meeting of the Management Board, such member shall give the appropriate prior notice to the President (Chairman of the Management Board).

5.9. Voting shall be open and roll-call. The opinion of each present member of the Management Board shall be reflected in the minutes of the meeting of the Management Board. In case some members of the Management Board are not present at the meeting, absent members may participate in the voting by submitting their written opinions on the agenda issues of the Management Board meeting (by poll).

5.10. The minutes of meeting shall be kept at meetings of the Management Board by the Secretary. Minutes of Meeting of the Management Board shall be made up within three working days from the date of such meeting or the deadline for receipt of ballots, if the resolution of the Management Board is to be passed by an absentee voting.

Minutes of Meeting shall include:

- venue and date of the meeting;
- persons participating in the meeting (either personally present, or those who submitted their opinions in writing as per the procedure prescribed herein);
- agenda of the meeting;
- issues put to a vote and the results of voting upon such issues;
- resolutions passed.

The minutes of the meeting of the Management Board shall be signed by a person presiding at the meeting, who is responsible for correctness of the minutes, and certified by the Secretary of the Management Board meeting.

5.11. Voting lists (voting ballots) on the agenda items, written opinions of members of the Management Board and other documents received in accordance with the procedure established hereunder shall be attached and/or filed with the minutes of meetings of the Management Board or with the minutes of resolutions of the Management Board passed by an absentee voting (by poll).

5.12. Minutes of meetings of the Management Board and minutes of the Management Board resolutions passed by absentee voting shall be kept at the principal office of the Company according to the procedure and within the terms stipulated in the applicable legislation of the Russian Federation.

5.13. Resolutions of the Management Board may be adopted by absentee voting (by poll) without holding a meeting. The resolution on holding an absentee voting shall be made by the Chairman of the Management Board. Voting ballots and other information (materials) shall be delivered directly to the Management Board members against receipt no later than 3 days prior to the voting ballots acceptance deadline, or sent by registered mail no later than 7 days prior to the date for ballots acceptance. Delivery of

ballots against receipt and acceptance of the voting ballots shall be done by the Secretariat of the Management Board at the place and as per the procedure and terms stipulated in the resolution of the President (Chairman of the Management Board) on absentee voting.

5.14. Those Management Board members whose ballots have been submitted at the ballot acceptance desk not later than the specified deadline for the voting ballots acceptance shall be deemed participants of voting by poll.

## **6. Requirements to members of the Management Board. Responsibility of members of the Management Board**

6.1. Members of the Management Board shall act in the interests of the Company and perform their duties and exercise their rights in respect of the Company reasonably and in good faith.

6.2. Members of the Management Board shall submit an appropriate application to the attention of the President (Chairman of the Management Board) of the Company, stating their direct or indirect participation in other companies, within one month from the date of their candidatures approval by the Company's Board of Directors.

6.3. Members of the Management Board shall provide the Board of Directors of the Company, the Internal Audit Commission and the Auditor of the Company with information regarding:

- legal entities in which they hold 20 or more per cent of voting shares (interests, stocks) either solely or jointly with their affiliated parties;
- legal entities in which they hold offices in management bodies;
- actual or intended transactions of the Company of which they are aware and in which they may be considered interested.

6.4. In case a member of the Management Board is interested in a transaction to which the Company is or intends to be a party, or the interests of the said member otherwise contradict the interests of the Company in respect of an actual or intended transaction, such member shall inform the Board of Directors, the Internal Audit Commission and the Auditor of the Company in writing thereof prior to passing the resolution on such a transaction.

6.5. Members of the Management Board, while holding such a position, have no right to participate in competitive organizations of the Company.

6.6. Overlapping of the position of the Management Board members with managerial positions in other organizations shall be allowed only upon the consent of the Company's Board of Directors.

6.7. Performance of any work by a member of the Management Board under a labour and/or civil contract in another organization shall be allowed only upon the consent of the Management Board.

6.8. Members of the Management Board shall inform the Board of Directors of the Company of the Company's securities held by them and sale and/or purchase thereof.

6.9. Members of the Management Board bear full material responsibility for direct actual loss and recover damages incurred by the Company due to their guilty actions (failure to act).

In this case members of the Management Board who voted against the resolution which caused such damages to the Company or did not participate in that voting shall not be held responsible before the Company.

In case several members of the Management Board of the Company are responsible before the Company, they shall bear joint responsibility.

Members of the Management Board shall be held liable for actions or failure to act, which caused damage to the Company through their failure to perform their duties.

Prosecution of the President (Chairman of the Management Board) or members of the Management Board is subject to the Board of Directors' decision.

6.10. The President (Chairman of the Management Board) of the Company and members of the Company's Management Board shall promptly provide complete and reliable information upon request of members of the Board of Directors regarding the agenda issues of the Board of Directors meeting. In this case the information requested shall be provided to the Corporate Secretary to be announced by him to the member of the Board of Directors who has applied with such request.

## **7. Remuneration of members of the Management Board and reimbursement of expenses incurred by them in performing their duties**

7.1. Remuneration shall be paid and expenses related to performance of their functions as members of the Management Board shall be refunded to members of the Company's Management Board during the period of their duties execution.

7.2. Conditions and procedure of remuneration payment and expenses refund are established by a contract concluded with members of the Management Board, in accordance with the Regulations on the Management Board members' remuneration, approved by the Company's Board of Directors upon presentation by HR and Remunerations Committee.

## **8. Approval and amendments of the Regulations on the Management Board**

8.1. These Regulations binding for all members of the Management Board, any new revisions, amendments and/or additions hereto are subject to approval by the General Shareholders Meeting in accordance with the Federal law "On Joint Stock Companies".

8.2. In case certain provisions of these Regulations become contradicting to any amendments made to any applicable legislation of the Russian Federation, such provisions of the Regulations shall become null and void; in this case members of the Management Board shall act in accordance with the applicable legislation of the Russian Federation until these Regulations are amended.