

Approved by:
Decision of the Annual General Shareholders' Meeting
of OJSC MMK
dated April 22, 2005
15
Chairman of the Meeting:
_____ (V.N.Yegorov)

**REGULATIONS
ON THE AUDIT COMMITTEE
OF THE MAGNITOGORSK IRON & STEEL WORKS
OPEN JOINT STOCK COMPANY**

Magnitogorsk

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1. GENERAL PROVISIONS

- 1.1. The present Regulations on the Audit Committee of Magnitogorsk Iron and Steel Works Open Joint Stock Company (hereinafter, “the Regulations”) have been drafted in accordance with the Civil Code of the Russian Federation, the Federal Law “On Joint Stock Companies” (hereinafter, “the Law”), the applicable Russian laws and the Charter of OJSC MMK.
- 1.2. These Regulations set out the procedure of electing the Audit Committee of the Company, the competence, functions, rights, duties and the scope of responsibility of the Audit Committee members.
- 1.3. The Audit Committee of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (hereinafter referred to as “Company”) shall exercise control of the Company’s financial and business activities.
- 1.4. The Audit Committee of the Company shall act in accordance with the laws of the Russian Federation, the Charter of the Company and these Regulations.

2. ELECTION OF THE AUDIT COMMITTEE

- 2.1. Members of the Audit Committee shall be elected at an annual general meeting of the shareholders as provided for by the Law, Article 9 of the Company’s Charter and these Regulations, for a term until the next annual general shareholders' meeting and can be reelected an indefinite number of times.

The Audit Committee shall consist of 3 members.

- 2.2. Members of the Audit Committee shall be persons who have a qualification required for addressing the tasks assigned to the Audit Committee. Members of the Audit Committee cannot at the same time be members of the Company’s Board of Directors or hold positions on other governing bodies of the Company or a legal entities which is a competitor of the Company.
- 2.3. Shareholders (a shareholder) of the Company who own(s) totally not less than 2% of the voting shares of the Company, shall be entitled to nominate candidates to the Audit Committee whose number shall not exceed the number of the Audit Committee members.

Such nomination proposals shall be submitted to the Company not later than 40 days after the end of the financial year.

- 2.4. A proposal to nominate a candidate shall be submitted in the form of a registered letter addressed to the Company or delivered to the Filing Bureau of the General Affairs Administration of the Company and signed by the submitting shareholders (a shareholder).
- 2.5. The proposals to nominate a candidate to the Audit Committee of the Company shall contain the following:
 - 2.5.1. names of the submitting shareholders (a shareholder), and the number and category (type) of the shares held by them;
 - 2.5.2. the name of each nominated candidate and the body for election to which the candidate is nominated;
 - 2.5.3. age of the candidate;
 - 2.5.4. copies of the candidate’s certificates of education;

- 2.5.5. statement from the candidate's work record certificate regarding the posts held by the candidate over the last five years, certified at the latest place of work or by a notary public;

Attached to the proposal for the candidate's nomination shall be the candidate's written consent to be on the ballot for the Audit Committee of the Company.

- 2.6. The Company's Board of Directors shall consider the submitted proposals and decide whether to include the proposed candidates in the ballot list for election to the Audit Committee or refuse to do so not later than 5 days after the end of the period stipulated in Paragraph 2.3. of the Regulations.
- 2.7. The Board of Directors is entitled to refuse to include proposed candidates in the ballot list for election to the Audit Committee of the Company in the following cases:
 - 2.7.1. The shareholder (shareholders) fails (fail) to meet the deadline stipulated in Paragraph 2.3. of the Regulations;
 - 2.7.2. The shareholder (shareholders) is (are) not the owner(s) of the appropriate number of voting shares stipulated in Paragraph 2.3. of the Regulation;
 - 2.7.3. The proposals do not conform to the requirements set out in Paragraphs 2.4 and 2.5 of the Regulations.
- 2.8. A well-founded decision of the Board of Directors on refusal to include a proposed candidate in the ballot list for election to the Audit Committee shall be delivered to the shareholder(s), who has (have) submitted the proposal, not later than 3 days after such decision is made.
- 2.9. Should there be no or insufficient candidates proposed by shareholders for election to the Audit Committee, the Company's Board of Directors shall be entitled to include candidates in the ballot list at its own discretion.
- 2.10. A person who has received the majority of votes of the owners of the Company's voting shares present at the General Shareholders' Meeting shall be deemed elected to the Audit Committee. Shares owned by the Members of the Board of Directors of the Company or by individuals holding posts in the governing bodies of the Company cannot participate in the voting when electing members of the Audit Committee.
- 2.11. Contracts may be signed with each member of the Audit Committee by the Chairman of the Board of Directors on behalf of the Company or a person authorized by the General Shareholders' Meeting.
- 2.12. Early termination of the authority of a member of the Audit Committee shall take place as prescribed by the Russian Federation laws in effect.

3. COMPETENCE OF THE COMPANY'S AUDIT COMMITTEE. PROCEDURE OF INSPECTION BY THE COMPANY'S AUDIT COMMITTEE

- 3.1. Competence of the Company's Audit Committee is determined by the Law and the Company's Charter
- 3.2. In order to exercise control of the financial and business activities of the Company, the Audit Committee shall have the competence to verify the accuracy of the Company's accounts.
- 3.3. To achieve the purpose of its activity the Audit Committee will perform inspections of the Company's financial and economic activity according to the annual results, or at any other time on its own initiative or by decision of the General Shareholders' or the Board of

Directors' Meeting or at the request of a shareholder(s) who jointly own(s) not less than 10% (ten percent) of the Company's voting shares.

A schedule of inspections of the Company's financial and economic activity by the Audit Committee shall be drawn up at the first meeting of the Audit Committee.

- 3.4. Upon having carried out an inspection, the Audit Committee shall make a report summarizing the following:
- opinion on the correctness of the data contained in the accounting reports and other financial documents of the Company;
 - information on violations of Russian laws and regulations regarding procedures of accounting and presenting financial reports, and Russian laws on financial and business activities.

The summary report on the results of the annual inspection shall be delivered by the Audit Committee to the Board of Directors at least 30 days prior to the date of the Annual General Shareholders' Meeting.

- 3.5. The Audit Committee's opinion shall be signed personally by all the Audit Committee members.

Should an Audit Committee member disagree with the Audit Committee's opinion, he/she is entitled to express his/her opinion which shall be enclosed to the Audit Committee's opinion as its integral part.

- 3.6. At the request of the Company's Audit Committee officers holding positions in the Company's governing bodies shall be obliged to provide documents on the Company's financial and business activities.
- 3.7. In conducting inspections the Audit Committee shall have the right to bring in independent experts, auditors and other specialists. The Company's officers shall not prevent such experts and auditors from performing their functions or refuse to sign auditing or inspection contracts with such experts.
- 3.8. Funds intended for payment of services by outside experts (auditors) and other specialists shall be allocated by the Company's General Director at the proposal by the Chairman of the Audit Committee.

4. PROCEDURE OF THE AUDIT COMMITTEE'S MEETING

- 4.1. The Company's Audit Committee shall settle all relevant matters at its meetings which will be held according to an approved schedule but at least once every quarter.
- 4.2. A meeting of the Audit Committee shall be deemed to have authority if the majority of its elected members are present thereat.
- 4.3. The Audit Committee shall make decisions by a majority of votes of its members present at the meeting. Each member of the Audit Committee shall have one vote. It is prohibited to transfer votes from members of the Audit Committee to other persons, including other Audit Committee members. In case of an equal number of votes, the Audit Committee Chairman's vote shall be decisive.

The first meeting of the Audit Committee shall elect a Chairman by the majority of votes of its members present at the meeting.

The Audit Committee can at any time elect a new chairman by the majority of the votes of its members present at the meeting.

- 4.5. The Audit Committee Chairman shall organize its routine work, call and conduct the Committee's meetings, preside over meetings of the Company's Board of Directors or the Management Board, and sign documents on behalf of the Audit Committee.
- 4.6. In case of absence of the Audit Committee Chairman his/her functions shall be performed by an Audit Committee member appointed by the majority of votes of its members present at the meeting.
- 4.7. Minutes shall be kept at the Audit Committee meetings recording the following:
 - the place and time of the meeting;
 - persons present;
 - the meeting's agenda;
 - issues put to the vote and the voting results;
 - decisions made.

The minutes of the Audit Committee shall be signed by the Chairman who is responsible for its correctness.

- 4.8. Copies of the minutes of the Audit Committee's meetings shall be forwarded to the General Director of the Company for examination and taking decisions.
- 4.9. Should a member of the Audit Committee disagree with a decision of the Audit Committee, he/she can express his/her special opinion which will be recorded in the minutes.
- 4.10. The Audit Committee shall archive all the meetings' minutes from the moment of the Committee's election until the expiry of its authority. The Chairman of the Committee shall be responsible for keeping and archiving the minutes during the above-mentioned period.

Five days prior to the Annual General Shareholders' Meeting which is to elect a new Audit Committee, all the materials of the active Audit Committee shall be turned over for keeping to the Company as stipulated by Article 89 of the Law.

The minutes shall be turned over by the Chairman of the Committee under an acceptance report.

5. RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE'S MEMBERS

- 5.1. In exercising its rights and discharging its obligations the Audit Committee shall be guided by the interests of the Company, and shall exercise its rights and discharge its obligations reasonably and in good faith.
- 5.2. The Audit Committee shall be entitled to demand the calling of an extraordinary general shareholders' meeting in accordance with Article 55 of the Law as well as demand that a meeting of the Company's Board of Directors be convened. .

Demands to call an extraordinary general shareholders' meeting or the Company's Board of Directors' meeting shall be decided on at the Audit Committee's meeting by the majority of votes of its members present at the meeting and signed by the Chairman of the Company's Audit Committee's.

- 5.4. The Company's Audit Committee members shall be present at the General Shareholders' Meeting.

5.5. The members of the Audit Committee shall be held liable for breach of confidentiality in respect of commercial or internal information of the Company in accordance with the Russian laws in effect.

6. REMUNERATION AND COMPENSATIONS TO THE MEMBERS OF THE COMPANY'S AUDIT COMMITTEE

6.1. By decision of the General Shareholders' Meeting, members of the Board of Directors, during their term of office, may receive remuneration and/or compensation of costs associated with the discharge of their duties.

The size of such remuneration and compensations shall be established by decision of the General Shareholders' Meeting taking into account the Board of Directors' recommendations.

7. PROCEDURE OF APPROVAL AND AMENDMENT OF THE REGULATIONS ON THE AUDIT COMMITTEE

7.1. The Regulations on the Company's Audit Committee shall be approved by the General Shareholders' Meeting at the suggestion of the Board of Directors by a majority of the Company voting share holders present at the meeting.

7.2. Introduction of amendments and supplements in the Regulations shall be carried out in the same manner as the approval thereof.

7.3. If as a result of changes in the Russian Federation laws certain provisions of these Regulations come into conflict with the laws in effect, such provisions will become invalid, and, until relevant amendments have been incorporated in the Regulations, members of the Audit Committee shall be guided by the Russian laws in effect.
