



**MAGNITOGORSK IRON AND
STEEL WORKS Open Joint Stock
Company
(OAO MMK)**

APPROVED BY
Decision of the OJSC MMK Board of
Directors
Minutes dated 24.06.2013 # 2

Chairman of the Board of Directors:

_____ V.F. Rashnikov

REGULATIONS

**Regarding Independent Directors
of the OJSC MMK**

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1 Scope of Application

1.1 These Regulations govern the election and activities of independent directors of the Board of Directors of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (OJSC MMK).

2 References

2.1 These Regulations have been developed based on the requirements of the following documents:

- **Federal Law "On Joint Stock Companies"** dated 26.12.1995, # 208-FZ;
- **Code of Corporate Conduct** recommended for application by Resolution #421/r of the Russian Federal Securities Market Committee dated 04.04.2002;
- **Corporate Governance Code of OJSC MMK** approved by the decision of the OJSC MMK Board of Directors on 21.09.2001, Minutes # 7;
- **Charter of the Magnitogorsk Iron and Steel Works Open Joint Stock Company** approved by decision of the Magnitogorsk Iron and Steel Works Annual General Shareholders' Meeting on May 22, 2009;
- **Regulations on the Board of Directors of OJSC MMK** approved by decision of the OJSC MMK Annual General Shareholders' Meeting on May 20, 2011;
- **Regulations on the General Shareholders' Meeting of OJSC MMK** approved by the decision of the OJSC MMK Annual General Shareholders' Meeting on May 24, 2013.

3 Terms and Definitions

The following terms are used in these Regulations:

"Law" means the Federal Law "On Joint Stock Companies" dated 26.12.1995, #208-FZ;

"Code of Corporate Conduct" means the Code of Corporate Conduct recommended for use by Resolution #421/r of the Russian Federal Securities Market Committee dated 04.04.2002;

"Company" means the Magnitogorsk Iron and Steel Works Open Joint Stock Company;

"Board of Directors" means the Board of Directors of OJSC MMK.

4 General

4.1 Independent directors are called upon to contribute to the discussion and adoption of decisions on issues such as formulating the strategy of the Company's development, evaluating whether the activity of the Company's executive bodies conforms to the chosen strategy, settling corporate conflicts, or other issues which

might affect the shareholders' interests. Presence of independent directors on the Board helps the Board to form an objective opinion on issues within its competence, which can be instrumental in strengthening investor confidence in the Company.

4.2 The Company's independent directors shall act in accordance with the applicable laws of the Russian Federation, the Company's Charter and its internal documents.

4.3 Independent directors shall abstain from actions which might impair their independence. If, following election to the Board of Directors, any changes take place or circumstances arise which affect the independent status of such a director, he or she shall submit a statement to the Board describing such changes or circumstances. The Board of Directors shall then inform the Company's shareholders thereof by disclosing such information on the Company's website.

4.4 Information on the independent status of the Company Board of Directors' members shall be disclosed in the Company's annual report.

5 Nomination of Independent Directors to the Board of Directors

5.1 Nomination of candidates for the positions of independent directors and election of such directors to the Board shall be carried out as provided for by the Law and the Charter.

5.2 The proposal for the nomination of candidates to the Board of Directors shall state which of the candidates are proposed for election as independent directors.

5.3 An independent Board director of the Company shall be a member of the Company's Board of Directors:

- who at the moment of election, and for a term of five years prior to that, is not and has not been an employee of the Company or any of the companies of the Group;
- who does not have, and has not had in the course of the last 3 years, any material commercial relations with the Company directly or as its partner, shareholder, or a member of the governing bodies of any organization that had such commercial relations with the Company;
- who does not receive and has not received any additional remuneration from the Company except for remuneration paid to members of the Board of Directors; who does not participate in any option program of the Company or in any remuneration arrangements based on the Company's results; who is not a member of the Company's pension fund (pension plan);
- who is not closely related (as a spouse, parent, child, full or half sibling, adoptive parent or adoptee) to any of the members of the Board of Directors of the Company or executive bodies of the Company.
- who does not participate together with other members of the Board of Directors of the Company in boards of directors of other Companies and who does not have any similar significant relations with other members of the Board of Directors of the Company through participation in governing bodies of other companies;
- who has not been on the Board of Directors of the Company for more than 9 years from the date of his/her first election to that position.

6 Rights and Obligations of Independent Directors

6.1 When performing his/her functions an independent director shall be guided by the principles of honesty, objectivity, openness, constructiveness, professionalism, and equality of treatment with regard to all shareholders.

6.2 An independent director shall dedicate enough attention and time to his/her professional tasks for making informed and well-thought-out decisions.

6.3 When making a decision an independent director shall make sure that such a decision will be for the benefit of the Company and its shareholders.

6.4 An independent director shall provide valid and sound arguments when defending his/her viewpoint differing from that of the majority of the Board members, its Chairperson or the individual executive body of the Company (the General Director).

An independent director shall seek to set up a constructive dialogue with the Board of Directors and the Company's executive bodies.

6.5 An independent director shall make an effort to get acquainted with the Company's management structure and composition, and study the specifics of the Company's business and markets.

6.6 An independent director shall strive to take part in all meetings of the Board of Directors and vote on all issues of the Board meeting's agenda either in favour of or against a relevant decision.

6.7 An independent director shall strive to contribute to the Company's successful development, improvement of its image and enhancement of its value.

6.8 An independent director shall assist the Company in determining its objectives, goals and values and mapping out its strategy.

6.9 An independent director shall assist the Company in adopting the best standards of corporate governance and information transparency.

6.10 An independent director shall take part in the work of the Board of Directors' committees.

6.11 An independent director shall inform the Company's management of any negative consequences known to him/her which non-compliance with generally accepted standards of corporate governance might produce.

6.12 An independent director shall contribute to defending the legitimate interests of the Company and its shareholders against illegal actions of any third parties.

6.13 In case of any conflicts an independent director shall take an objective and unbiased position based on the principles of lawfulness, justice and equal treatment of all the Company's shareholders. To the extent possible, an independent director shall strive for the speediest settlement of such conflicts.

6.14 An independent director shall defend the rights and legitimate interests of all the Company's shareholders, and promote a constructive dialogue between the Company's shareholders and executive bodies.

6.15 An independent director shall strive to understand and communicate to the Company the shareholders' expectations on various issues material for the shareholders.

6.16 An independent director shall seek to have a policy of information transparency adopted by the Company.

6.17 At the request of the shareholders an independent director shall provide information on his/her voting on issues considered by the Board of Directors, the rationale for the voting, and the size of his/her remuneration for work on the Board.

6.18 An independent director shall have no relationships with any third parties including competitors or their affiliated persons, if such relationships are known to have a direct or indirect adverse effect on the image, business or legitimate interests of the Company or its shareholders.

6.19 An independent director shall divulge only true information the disclosure of which is not prohibited by the applicable laws of the Russian Federation or is not injurious to the Company or its shareholders.

6.20 An independent director shall not disclose confidential or insider information, if the disclosure of such information has not been directly sanctioned by the Board of Directors or is not required by law.

6.21 The Company's independent directors shall promptly provide information to the Company the disclosure of which is required by the laws of the Russian Federation and these Regulations.

7 Remuneration of the Company's Independent Directors

7.1 By decision of the shareholders' general meeting, independent directors, during their term of office, shall be remunerated and compensated for costs and expenses associated with the performance of their duties as members of the Board of Directors.

The size of such remuneration shall be set by decision of the general shareholders' meeting.

The size and payment procedure of such remuneration and compensations is determined by the Regulations on Remuneration and Compensation of Expenses to Members of the OJSC MMK Board of Directors.

8 Liability

8.1 In exercising their rights and discharging their obligations independent directors shall act in the interests of the Company, reasonably and in good faith.

8.2 Independent directors shall be liable to the Company for any losses caused by their faulty actions or inaction unless federal laws establish other grounds for such liability.

Independent directors shall be liable to the Company for any losses caused by their faulty actions or inaction breaching the procedure of acquiring an open joint stock company's shares as provided for by Chapter XI.1 of the Law.

Exempted from liability shall be those independent directors who voted against the decision that gave rise to losses to the Company or its shareholders, or those who did not take part in the voting.

8.3 When determining the grounds or the size of liability of independent directors, normal conditions of business or other relevant circumstances shall be taken into account.

8.4 In the event that liability is borne by several persons, their liability to the Company, or in cases provided for by p.8.2. hereof, to a shareholder, shall be joint.

8.5 The Company or shareholders who, in their totality, own at least one per cent of the Company's placed ordinary shares, shall be entitled to institute court proceedings against an independent director for reimbursement of losses incurred by the Company in accordance with the first paragraph of Clause 8.2 hereof.

The Company or a shareholder shall be entitled to institute court proceedings against an independent director for reimbursement of losses incurred by the Company or the shareholder in accordance with the second paragraph of Clause 8.2 hereof.