

APPROVED BY

**Decision of the Board of Directors
of OJSC MMK
Minutes no.3 dated 06.07.2016**

Chairman of the Board:

_____ **V.F. Rashnikov**

REGULATIONS

**on the OJSC MMK Board of Directors' Committee for
Nominations and Remuneration**

City of Magnitogorsk

Table of Contents

1	Scope of Application	3
2	References	3
3	Terms and Abbreviations	3
4	General	4
5	Committee's Goals	4
6	Committee's Functions	4
7	Committee's Rights and Obligations	6
8	Procedure of the Committee's Election and Membership	6
9	Committee's Chairperson and Secretary	7
10	Time Frame and Procedure for Calling the Committee's Meetings	8
11	Procedure of Conducting the Committee's Meetings and Decision-Making	8
12	Minutes of the Committee's Meetings	9
13	Accountability of the Committee to the Board of Directors	9
14	Relations of the Committee with the Company's Executive Bodies and Other Persons	10
15	Assistance to the Committee	10
16	Procedure of Approving and Amending the Regulations on the Committee	10

1 Scope of Application

1.1 These Regulations on the Board of Directors' Committee for Nominations and Remuneration of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (hereinafter as the Regulations) determine the procedure of setting up and functioning of the OJSC MMK Board of Directors' Committee for Nominations and Remuneration (hereinafter as the Committee), and the rights and obligations of the Committee's members.

1.2 These Regulations have been approved for the purpose of further improvement of the corporate governance practice of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (hereinafter as OJSC MMK) and bringing it into compliance with international corporate governance standards and recommendations of the RF Central Bank and listing rules of JSC MICEX Stock Exchange.

2 References

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

- **Federal Law "On Joint Stock Companies"** dated 26.12.1995, #208-FZ;
- **Corporate Governance Code** recommended for application by Letter # 06-52/2463 of the RF Central Bank dated 10.04.2014;
- **Listing Rules of JSC MICEX Stock Exchange** approved by the Resolution of the Board of Directors of JSC MICEX Stock Exchange dated 16.05.2016 (Minutes #41) and registered by the RF Central Bank on 31.05.2016;
- **Charter of the Magnitogorsk Iron and Steel Works Open Joint Stock Company** approved by the resolution of OJSC MMK's Annual General Shareholders' Meeting on 24 May 2013;
- **OJSC MMK's Corporate Governance Code** approved by the resolution of OJSC MMK's Board of Directors on September 21, 2001;
- **Regulations on OJSC MMK's Board of Directors** approved by the resolution of the OJSC MMK Annual General Shareholders' Meeting on May 29, 2015.

3 Terms and Abbreviations

3.1 The following terms and abbreviations shall be used herein:

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

"Charter" means OJSC MMK's Charter;

"Committee" means OJSC MMK's Board of Directors' Committee for Nominations and Remuneration set up by the resolution of the Board of Directors and intended for preliminary review and preparation of recommendations to the Board of Directors prior to adoption of decisions on matters within the responsibility of the Board of Directors.

"Company" means the Magnitogorsk Iron and Steel Works Open Joint Stock Company (OJSC MMK);

"OJSC MMK Group" means an association of organizations with the unified management and control system whose activities are aimed at the common strategic goal;

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

"Management Board" means the Collective Executive Body, OJSC MMK's Management Board;

"General Director" means the Individual Executive Body, OJSC MMK's General Director;

"Members of the Governing Bodies" means members of the Board of Directors, Collective Executive Body, Management Board, and the Individual Executive Body (General Director);

"Key executives" means deputies of the General Director by areas of activity and the head of internal audit department.

"Committee's Secretary" means the Head of OJSC MMK's department who is in charge of supporting activities of OJSC MMK's Board of Directors' Committees.

4 General

4.1 The Committee has been set up for the purpose of preliminary review and preparation of recommendations to the Board of Directors prior to adoption of decisions on matters within the competence of the Board of Directors regarding the Company's priorities in the sphere of personnel and HR policy, the Company's standards and policy for selection of nominees to the Company's governing bodies aimed at hiring highly qualified executives, and matters related to payment of remuneration to members of the Company's governing bodies and the Audit Committee and corporate governance.

4.2 When performing its activities the Committee shall be fully accountable to the Board of Directors.

4.3 When performing its activities the Committee shall be guided by the law of the Russian Federation, the Company's Charter, the Regulations on the Company's Board of Directors, resolutions of the Board of Directors, these Regulations and other by-laws of the Company approved by the Company's General Shareholders' Meeting and Board of Directors as well as the Committee's resolutions.

5 Committee's Goals

5.1 The Committee shall provide the Board of Directors with objective information on the aspects of the Company's activities and current condition within the Committee's responsibility.

5.2 The Committee shall contribute to enhancing the efficiency of the Board of Directors' activity and decision-making.

6 Committee's Functions

The Committee shall review and prepare recommendations for the Board on the following matters related to the competences of the Company's Board of Directors approved by the Charter:

6.1.1 Approval of long-term plans, programmes, policies and key guidelines of activities of the Company and the OJSC MMK Group's companies along with amendment and control of implementation thereof, in the sphere of:

- human resources and nominations, as well as the management structure, motivation and wages policy, stimulation of career promotion and creation of the talent pool;

- corporate governance.

6.1.2 Consideration of proposals from shareholders on nominees to the Board of Directors, Audit Committee and the Individual Executive Body, the Company's General Director and inclusion of nominees into voting lists for election of the Board of Directors, Audit Committee and the Company's General Director.

6.1.3 Termination of the authority of the Company's General Director or a managing organization (managing director), and constitution of a temporary individual executive body of the Company.

6.1.4 Proposal to the General Shareholders' Meeting to pass a resolution on transfer of powers of the Company's individual executive body to a managing organization (Managing Director).

6.1.5 Constitution of the Company's Management Board and early termination of its authority, approval of the number of its members and membership along with the division of responsibilities.

6.1.6 Preparation of recommendations for the Company's General Directors on a nominee for the Head of the Company's audit division.

6.1.7 Granting consent to the participation of persons performing the functions of the Company's General Director or members of the Company's Management Board in the governing bodies of other organizations.

6.1.8 The size of remuneration and compensation to be paid to the members of the Company's Board of Directors (including executive members of the Board of Directors) and Audit Committee.

6.1.9 Approval of the Company's option programs and corporate key performance indicators.

6.1.10 Approval of the Company's organizational structure (not lower than on the level of Directors, Chief Accountant and the Chief Engineer).

6.1.11 Approval of criteria for evaluating activities of the Company's Board of Directors, members of the Board of Directors and Board of Directors' Committees by members of the Board of Directors.

6.1.12 Approval of the Company's internal documents except for those which are subject to approval by the General Shareholders' Meeting by law, and other internal documents of the company which are subject to approval by the Company's executive bodies according to the Charter.

6.2 Determination of criteria for selecting nominees for members of the Board of Directors, Audit Committee and the Company's General Director.

6.3 Preliminary evaluation of nominees for members of members of the Board of Directors, Audit Committee and the Company's General Director (in terms of personal and professional qualities, having the impeccable business and personal reputation, expertise, skills and experience in different spheres of the Company's activity) and giving (preparing) respective recommendations to the Company's Board of Directors.

6.4 Preliminary evaluation of independency of nominees for members of the Company's Board of Directors (including based on information provided by nominees) and submission of a respective opinion to the Company's Board of Directors.

6.5 Interaction with the shareholders, which should not be limited by the scope of principal shareholders, in order to prepare recommendations to shareholders on voting for election of the Company's Board of Directors.

6.6 Planning of nominations including succession planning for members of the Company's Management Board and General Director, preparation of recommendations to the Board of Directors on nominees for members of the Company's Management Board, General Director, Corporate Secretary and other key executives.

6.7 Regular analysis of independency of members of the Board of Directors for meeting the independency criteria provided for in Annex #1 to the Regulations on OJSC MMK's Board of Directors.

6.8 Annual carrying out of the detailed formalized procedure for self-assessment or external evaluation of performance of the Board of Directors, its members and Committees according to criteria approved by the Board of Directors and determination of prioritized spheres of activities for strengthening the membership of the Board of Directors.

6.9 Drafting and periodic revision of the remuneration policy for members of the Board of Directors and follow-up control of its implementation.

6.10 Drafting and periodic revision of the remuneration policy (salary) for members of the Management Board, General Director and other key officers of the Company and follow-up control of its implementation.

6.11 Preliminary evaluation of performance of the Management Board and General Director of the Company for a year according to the remuneration policy (salary).

6.12 Determination of terms and conditions of early termination of the employment contracts with members of the Management Board and General Director, including all material obligations of the Company and conditions of provision thereof.

6.13 Comparative analysis of, and keeping members of the Board of Directors up-to-date in respect of the policy and programmes of remuneration of members of governing bodies and other key officers in other companies.

6.14 Preparation of recommendations to the Board of Directors on the size of remuneration and principles of bonus payment to the Corporate Secretary.

6.15 Preliminary review of the annual report of the Company in terms of:

- implementation of policies of remuneration and compensation payable to members of the Board of Directors, remuneration (salary) payable to members of executive bodies of the Company and other key officers of the Company;

- report on self-evaluation of performance of the Board of Directors, its members and Committees;

- report on the Committee's performance.

6.16 Evaluation of compliance of the Company's activities with conduct standards set forth in OJSC MMK's Code of Corporate Ethics.

Preliminary review of reports on compliance with OJSC MMK's Code of Corporate Ethics.

6.17 Analysis of information provided by the members of the Company's Board of Directors according to the law, the Company's Charter and by-laws within the Committee's responsibility.

7 Committee's Rights and Obligations

7.1 For the purpose of performing its functions the Committee shall be entitled to:

7.1.1 Control execution of resolutions of the Board of Directors on matters within the Committee's responsibility.

7.1.2 Obtain any information required to perform its functions from the Company's General Director and heads of structural divisions through the Committee's Secretary.

7.1.3 Involve the Company's employees, members of other committees or third parties into the Committee's meetings.

7.1.4 Recommend on any matters within the Committee's responsibility to the Board of Directors.

7.1.5 If necessary, draft and present for approval of the Board of Directors amendments and supplements to these Regulations.

7.2 The Committee shall be obliged to:

7.2.1 Perform functions imposed on it according to the RF's current law, the Company's Charter and by-laws and these Regulations.

7.2.2 Inform the Board of Directors in a timely manner of risks to which the Company may be exposed in respect of matters within the Committee's responsibility.

7.2.3 Keep the Company's commercial and/or official secrets confidential.

8 Procedure of the Committee's Election and Membership

8.1 The Committee shall be set up by decision of the Board of Directors and comprise independent and non-executive members of the Board, not being the members of the Management Board and/or General Director. The majority members of the Committee shall be independent directors. The number of members and membership of the Committee and its Chairperson shall be approved by the Board of Directors on the recommendation of the Board's Chairperson. The decision on the election of the Committee's members shall be taken by the majority of the Board members taking part in the relevant meeting of the Board.

8.2 Criteria for independent, non-executive and executive directors are set forth in OJSC MMK's Charter and the Regulations on OJSC MMK's Board of Directors.

8.3 If upon electing an independent Director into the Board of Directors any event occurs as a result of which he/she ceases to be independent, such a member shall inform the Board of Directors of such an event within five working days of the occurrence of such event.

8.4 Non-executive directors may hold meetings on a regular basis without the Chairperson of the Board of Directors and executive directors of the Company.

8.5 Upon the recommendation of the Committee's Chairperson, experts having the required professional knowledge may be engaged in the Committee's activities.

8.6 A member of the Board of Directors may not serve on more than two committees of the Board.

8.7 A member of the Board of Directors may not be a chairperson of more than one committee of the Board.

8.8 The Committee's members may be re-elected an indefinite number of times.

8.9 By decision of the Board of Directors, the authority of all members of the Committee may be terminated early.

8.10 A member of the Committee shall be entitled to early resignation by tendering a written notice to the Chairperson of the Board of Directors and the Committee's Chairperson. Authority of the Committee's member shall be considered terminated and his/her vote shall not be counted when determining the quorum and the voting results, as from the date specified in the notice, and if such a date is not specified, as from the date of the notice's receipt by the Chairperson of the Board of Directors (or as provided for by Paragraph 7, Article 4 of the Regulations of OJSC MMK's Board of Directors).

8.11 Shareholders and holders of depositary receipts issued for the Company's shares, may make requests and proposals to independent directors as prescribed by the Company's by-laws.

9 Committee's Chairperson and Secretary

9.1 The work of the Committee shall be supervised by the Chairperson elected from among the independent members of the Board of Directors elected to the Committee.

9.2 The Committee's Chairperson shall perform the following functions:

9.2.1 organize the Committee's meetings;

9.2.2 preside over meetings. In case of the Chairperson's absence the Committee's members shall elect a chairperson from among members present;

9.2.3 draw up work plans of the Committee for the current period in line with the work plan of the Board of Directors and proposals of the Chairperson of the Board of Directors and Committee's members and resolution of the Committee and Board of Directors;

9.2.4 take all required measures to provide the Committee's members with information required for making decisions on items on the agenda, in a timely manner;

- 9.2.5 represent the Committee before the Board of Directors;
- 9.2.6 report to the Board of Directors on the results of the Committee's work.
- 9.2.7 ensure keeping of minutes at the Committee's meetings in a proper and timely manner;
- 9.2.8 monitor fulfillment of the Committee's work plan
- 9.3 The Committee's Secretary shall provide organizational, documentation and information support of the Committee's activities.

10. Time Frame and Procedure for Calling the Committee's Meetings

10.1 The Committee's meetings shall be convened by the Chairperson of the Committee as scheduled, but at least four times a year.

10.2 The Committee shall approve its work plan at the meeting taking place not later than thirty working days from the date of the Board's meeting at which the Committee's members were elected and/or the work plan of the Board of Directors was approved.

10.3 A decision on calling the Committee's meeting, its date, time, place and agenda, as well as the list of persons to report on each item on the agenda shall be taken by the Chairperson.

10.4 Members of the Board of Directors who are not members of the Committee and the Company's General Director can request the Committee's Chairperson to consider any question within the Committee's responsibility.

10.5 The Committee's Chairperson may convene the Committee's meeting beyond the work plan according to proposals received.

10.6 If necessary, a meeting of the Committee can be adjourned as decided by the Chairperson.

11 Procedure of Conducting the Committee's Meetings and Decision-Making

11.1 The Committee's Secretary shall send to the Committee members (by fax, e-mail or courier) a written notice of the Committee's meeting specifying the date, time and place of the meeting enclosing explanatory notes/presentations, draft resolutions, individual voting ballots and other documents, not later than three days prior to the meeting.

11.2 The quorum for holding a meeting shall be at least half of the elected members of the Committee. When determining the quorum and the voting results, the Committee can count the votes of the members who are absent from the meeting but have sent completed and signed individual voting ballots to the Chairperson of the Committee.

11.3 The Committee can invite to its meetings members of the Board of Directors, the Company's General Director and other officers and employees of the Company, and experts engaged by the Company.

11.4 Speakers at the Committee meetings shall provide electronic and hard copies of explanatory notes/presentations, draft resolutions and other documents regarding the agenda of the meeting, to the Chairperson of the Committee not later than five days prior to the meeting of the Committee in Russian and if necessary in English.

11.5 The Committee's resolutions shall be taken at collective meetings with attendance of members and due consideration of individual voting ballots of absent members of the Committee which have been presented before the meeting, or by absentee voting. Communication technologies may be used to conduct the Committee's meetings (conference calls, videoconference, etc.).

11.6 Resolutions at the Committee's meetings shall be adopted by the majority

of the Committee members present at the meeting (or members which have presented individual voting ballots). Each member of the Committee shall have one vote. In case of an equal division of votes of the Committee members the Chairperson shall have the casting vote.

11.7 The Committee's Chairperson may decide to conduct a meeting in the form of absentee voting setting its date and determining items on the agenda.

11.8 In case of absentee voting the Committee's members shall send completed and signed individual voting ballots to the Committee's Secretary by fax or e-mail and deliver the original ballot by courier.

11.9 The Committee's members whose individual voting ballots are received by the Committee's Secretary within the timeframe set by the Committee's Chairperson shall be considered to have participated in absentee voting.

12 Minutes of the Committee's Meetings

12.1 The Committee's Secretary shall draft the minutes of the Committee's meeting within two working days after the meeting was held whether in the form of attendee or absentee voting.

12.2 The minutes shall state:

- date, time and place of the meeting (or absentee voting);
- persons present at the meeting (or those who have provided their individual voting forms in accordance with p.11.2 of these Regulations);
- agenda of the meeting (or absentee voting);
- items put to the vote, and the results of voting thereon;
- decisions taken (recommendations to the Board of Directors).

12.3 Minutes of the Committee's meetings shall be signed by the Chairperson of the Committee or a member of the Committee presiding at the meeting, and the Committee's Secretary both of which are responsible for the correct keeping of the minutes. Attached to the minutes shall be individual voting ballots on the agenda's items and other documents presented for the consideration of the Committee.

12.4 In case if any resolutions are passed with the Committee's recommendations to the Board of Directors, the Committee's Secretary shall send the following documents to the Board of Directors:

- copy of the minutes of the Committee's meeting;
- excerpts from the minutes of the Committee's meeting with recommendations on items of a preliminary agenda of the meeting of the Board of Directors;
- explanatory notes/presentations;
- draft resolutions of the Board of Directors;
- annexes (plans, programmes, regulations, calculations, etc.).

12.5 Original minutes of the Committee's meetings may be provided to the Committee's members upon their written request.

12.6 Upon request sent to the Committee's Secretary an extract from the minutes may be provided.

12.7 Fulfillment of the Committee's resolutions shall be monitored by the Committee's Secretary.

13 Accountability of the Committee to the Board of Directors

13.1 The Committee shall submit to the Board of Directors an annual report on its activities not later than 30 working days prior to the date of the Company's annual general shareholders' meeting.

13.2 The report shall contain information on the activities of the Committee during the year, such as:

13.2.1 recommendations given to the Board of Directors on matters within the

responsibility of the Board and related to the functions of the Committee;

13.2.2 execution of the Committee's work plan.

The Committee's report may contain other material information included at the discretion of the Committee.

13.3 The Board of Directors shall review the Committee's report at the meeting following the receipt of the report.

13.4 The report shall be presented to the Board by the Committee's Chairperson.

13.5 The Board of Directors shall be entitled to instruct the Committee to prepare recommendations on specific issues.

13.6 The Board of Directors shall be entitled, at any time within a year, to demand that the Committee submit a report on its current activities. The deadline for drafting and submitting such a report shall be decided by the Board.

14 Relations of the Committee with the Company's Executive Bodies and Other Persons

14.1 To ensure efficient work, members of the Committee must have access to required information.

14.2 The Company's General Director and heads of the Company's divisions shall, within the timeframe set by the Committee and according to applicable procedures, provide full and correct information and required documents on matters to be discussed at the Committee's meetings.

14.3 Information and documents mentioned in p.14.2 hereof shall be submitted to the Committee through the Committee's Secretary ensuring relations between the Committee and the Company's General Director and heads of the Company's divisions.

15 Assistance to the Committee

15.1 The activities of the Committee shall be financed out of the Company's budget through special allocations within the budget of the Board of Directors.

15.2 Proposals regarding the size of the Committee's budget shall be made at the first meeting of the Committee and presented to the Board of Directors.

16 Procedure of Approving and Amending the Regulations on the Committee

16.1 These Regulations shall be approved by the Board of Directors. The decision on the approval shall be adopted by the majority of the Board members present at the relevant meeting of the Board.

16.2 Incorporation of amendments or supplements in the Regulations shall be governed by the same procedure as its approval.

16.3 If, as a result of changes in the applicable laws of the Russian Federation, certain paragraphs of these Regulations should come into conflict with the applicable laws, such paragraphs shall become invalid and, pending introduction of relevant changes in the Regulations, the Committee members shall be guided by the applicable laws of the Russian Federation.