

APPROVED BY
Decision of the Board of Directors
of OJSC MMK
Minutes of the Meeting no. 3
dated 06.07.2016
Chairman of the Board of Directors
_____ **V.F.Rashnikov**

REGULATIONS

**on the OJSC MMK Board of Directors' Committee for
Audit**

City of Magnitogorsk

Table of Contents

1	Scope of Application	3
2	References	3
3	Terms, Definitions 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 OJSC MMK Board of Directors' Committee for Audit (hereinafter referred to as the "Regulations") determine the procedure of establishing and functioning of the OJSC MMK Board of Directors' Committee for Audit (hereinafter referred to as "the Committee") and the rights and obligations thereof.

1.2 These Regulations are adopted for the purpose of further improvement of OJSC MMK's corporate governance practice, its adjustment with respect to the international corporate governance standards, recommendations of the Central Bank of Russia and Listing Rules of the MICEX Stock Exchange.

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;
- **Corporate Governance Code** recommended for application by Letter no.06-52/2463 of the Central Bank of the Russian Federation dated 10.04.2014;
- **Charter of the Magnitogorsk Iron and Steel Works Open Joint Stock Company** approved by the decision of the Annual General Shareholders' Meeting on 24.05.2013;
- **Corporate Governance Code of OJSC MMK** approved by decision of the OJSC MMK Board of Directors on 21.09.2001;
- **Regulations on the OJSC MMK Board of Directors** approved by decision of the OJSC MMK Annual General Shareholders' Meeting on 29.05.2015;
- **Listing Rules of ZAO FB MICEX**, approved by the Board of Directors of ZAO FB MICEX on 16.05.2016 (Minutes no.41), registered by the Central Bank of the Russian Federation on 31.05.2016.

3 Terms and Definitions

3.1 The following terms and definitions shall be used herein:

"**MMK Group**" means a group of organizations united by the uniform governance and control system whose activities are aimed at achieving the same strategic objective.

"**Law**" means the Federal Law no. 208-FZ "On Joint Stock Companies" dated 26.12.1995.

"**Charter**" means the Charter of OJSC MMK.

"**Committee**" means the Committee of the Board of Directors of Magnitogorsk Iron and Steel Works OJSC for Audit, set up by decision 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 issues referred to the competence of the Board of Directors.

"**IAD**" – Internal Auditing Department.

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

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

"**Management Board**" means collegial executive body – Management Board of OJSC MMK.

"**General Director**" means sole executive body – General Director of OJSC MMK.

"Secretary of the Committee" - manager of the OJSC MMK's division, whose functions comprise support of activities of the Company's Board of Directors' Committees.

4 General

4.1 The Committee is set up for the purpose of assisting the efficient operation of the Board of Directors as to the control over financial and economic activities of the Company, preliminary review and preparation of recommendations to the Board of Directors prior to adoption of decisions on issues within the competence of the Board of Directors regarding risks management, internal controls and audit, and analysis of the Company's financial reports and statements.

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

4.3 In its activities the Committee shall be guided by the laws of the Russian Federation, the Company's Charter, the Regulations on the Company's Board of Directors, decisions of the Board of Directors, these Regulations and other internal documents of the Company approved by the Company's General Shareholders' Meeting and the Board of Directors as well as the Committee's decisions.

5 Committee's Goals

5.1 The Committee shall provide the Board of Directors with objective information on the activities and current status of the Company regarding the issues considered by the Committee.

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

6 Committee's Functions

6.1 Selection of an independent Auditor.

6.1.1 Preparation of recommendations to the Board of Directors regarding selection of a candidate for the Company's Auditor from among internationally renowned independent auditors having a high professional reputation, for subsequent approval of the Auditor by the Company's General Shareholders' Meeting;

6.1.2 Adoption of a resolution on the issue "Competition-based Selection (Tender) of OJSC MMK's Auditor with Respect to Reasonability and Selection (Tender) Form and Date Approval, and Requirements (Selection Criteria) Set Forth for Participants, Taking into Account the Scope of Audit Services".

6.1.3 Supervision of the competition-based selection (tender) of the Company's Auditor, if any;

6.1.4 Preparation of recommendations to the Board of Directors regarding the size of remuneration for the services of the Company's Auditor;

6.2 Supervision of the Company's financial and business operations.

6.2.1 Control over the completeness, accuracy and reliability of financial reports.

6.2.2 Review of the opinion of the Company's Audit Commission regarding the authenticity of data contained in the Company's annual report and accounting (financial) statements;

6.2.3 Discussion of interim financial statements with the Company's General Director, Auditor and the Chairperson of the Audit Commission;

6.2.4 Discussion of press releases regarding the Company's financial statements and any other information to be made public and disclosed to analysts and rating agencies;

6.2.5 Discussions of transactions which can be reasonably expected to have a material effect on the Company's financial performance, with the Company's individual executive body (the Company's General Director);

6.2.6 Assessment of the Company's policy in the sphere of tax planning;

6.2.7 Consideration of complaints received by the Company in respect of accounting issues, internal controls or audits;

6.2.8 Preparation of recommendations to the Board of Directors on the inspection (audit) of the Company's financial and economic activities by the Company's Audit Commission;

6.2.9 Review of a report of the individual executive body (the Company's General Director) on the fulfillment of recommendations of the Company's Audit Commission;

6.3 Interaction with the Company's Auditor.

6.3.1 Drafting of a work plan for the preparation of the auditors' opinion and determination of mandatory procedures, in conjunction with the Company's General Director, the Company's Auditor and the Chief Accountant (or with any other person responsible for the maintenance of accounting records);

6.3.2 Analysis and discussion with the Company's Auditor of material issues arising in the course of the Company's independent external audit;

6.3.3 Supervision of the correction of violations detected by the Auditor in the course of inspecting the Company's financial and economic operations;

6.3.4 Assistance to the Company's Auditor in resolving problems encountered by the Company's Auditor in the course of audits, including restrictions in respect of the audit scope or access to required information, or material differences with the executive bodies. The Committee shall take steps to facilitate interactions between the Company's Auditor, General Director and the IAD in case of a potential conflict arising among them;

6.3.5 Discussion with the Company's Auditor of issues which the Auditor is to discuss with the Committee in accordance with the accounting or auditing standards;

6.3.6 Review and analysis of the Company's Auditor's opinion on the results of the audit of the Company's financial and economic operations prior to submitting such an opinion for the consideration of the General Shareholders' Meeting;

6.3.7 Discussion with the Company's Auditor of its independent status, receipt and verification of the Auditor's written statement describing all the relations between the Auditor and the Company, and consideration of the influence which any relations or services provided might have on the objectivity and independence of the Company's Auditor;

6.3.8 Receipt of confirmation from the Company's Auditor that the latter is in compliance with the requirement of partners' rotation;

6.3.9 Investigation of the possibility of the Company's Auditor providing any non-auditor services to the Company while maintaining its independent status in accordance with the applicable Russian laws;

6.3.10 Preparation of recommendations regarding the necessity of engaging an independent auditor for providing services other than mandatory audit services;

6.3.11 Ensuring independent and objective external audit.

6.4 Control over reliability and efficiency of the risk management and internal control system.

6.4.1 Evaluation of the efficiency and preparation of recommendations for the approval and improvement of internal control procedures used by the Company based on the results of internal audits;

6.4.2 Cooperation of the Committee with the head of the Internal Auditing Department regarding the issue of control over the structure, functioning and development of the internal audit system aimed at elimination of identified discrepancies and mitigation of risks of such a system.

6.4.3 Cooperation of the Committee with the head of the Internal Auditing Department in case of:

- approving by the Committee of an annual work plan of the Internal Auditing Department;
- adopting by the Committee of a resolution regarding extraordinary internal audits;
- submitting to the Committee a quarterly report on the performance delivered by the Internal Auditing Department;

6.4.4 Discussion of internal audits results with the head of the Internal Auditing Department with respect to the efficiency of the Company's internal audit system;

6.4.5 Ensuring the independent and objective internal audit.

6.5 Independent supervision of, and evaluation of the effectiveness of the internal audit control with regard to the Company's financial statements;

6.6 Control over the performance of warning system on potential fraudulent actions of the Issuer's employees (including the dishonest use of inside or confidential information) and third parties, as well as other violations in the Company's activities; control over the implementation of measures adopted by the Company's executive bodies within the framework of such a system.

6.7 Preparation of recommendations to the Board of Directors related to taking decisions on risk management issues, monitoring the functioning of the Company's comprehensive risk management system and analyzing the risk management efficiency.

6.8 Review and preparation of recommendations for the Board of Directors regarding the approval of long-term plans, programs, policies and guidelines for the Company and the Group companies, introduction of amendments to the above documents and supervision of their implementation, in the area of industrial and occupational safety and environment protection.

6.9 Review and preparation of recommendations for the Board of Directors on 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 body according to the Charter.

7 Committee's Rights and Obligations

7.1 To exercise its authorities the Committee shall be entitled to:

7.1.1 Control execution of decisions and instructions of the Board of Directors within its competence.

7.1.2 Request and obtain from the individual executive body (the Company's General Director) and heads of structural divisions via the Committee's Secretary any information and documents required for the Committee to fulfill its functions.

7.1.3 Involve the Company's employees, members of other Committees or third parties for participation in the Committee's meetings.

7.1.4 Submit to the Board of Directors recommendations on any issue related to the Committee's functions.

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

7.2 The Committee is obliged:

7.2.1 to perform the functions imposed upon the Committee pursuant to the applicable Russian laws, the Charter and the Company's internal documents and the present Regulations.

7.2.2 to timely inform the Board of Directors about risks the Company is exposed to, and about issues related to the Committee's functions.

7.2.3 not to disclose any information considered as the Company's commercial and (or) official secret.

8 Procedure of the Committee's Election and Membership

8.1 The Committee shall be constituted by decision of the Board of Directors and comprised of members of the Board of Directors who may include independent and non-executive members thereof, not being the members of the Management Board and(or) General Director. The majority of the Committee members should be independent directors. The number of members and membership of the Committee and its Chairperson shall be approved by decision of 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 The list of eligibility requirements for independent directors, non-executive and executive directors is set forth by the Company's Charter and the Regulations on the OJSC MMK Board of Directors.

8.3 If after the election to the Board of Directors, an independent director faces circumstances due to which it ceases to be independent, such member of the Board of Directors shall notify the Company's Board of Directors within five business days of the occurrence of such circumstances.

8.4 Non-executive directors may hold regular meetings without the Chairperson of the Board of Directors and the Company's executive directors.

8.5 At least one of independent directors - the Committee's members must have expertise and competence in the field of preparation, analysis, evaluation and audit of accounting (financial) statements.

On the recommendation of its Chairperson, the Committee may use the services of experts having the required professional knowledge.

8.6 Information on the independence of members of the Committee for Audit, and on the presence of a an independent director, meeting the requirements of par.8.5 of these Regulations, is disclosed in the Company's annual report.

8.7 Each member of the Board of Directors may not serve on more than two committees of the Board.

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

8.9 A member of the Board of Directors may not be the Chairperson of more than one committee of the Board.

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

8.11 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. The authority of the Committee's member shall be considered as terminated, his/her vote shall not be taken into consideration when determining a quorum and finalizing the voting results from the date shown in the application and in case such a date is not defined then from date of receipt of the application by the Chairperson of the Board of Directors (or pursuant to the procedure and in cases established by par.7 of Article 4 of the Regulations on the Board of Directors of OJSC MMK.

8.12 The Company's shareholders and owners of depository receipts issued with respect to the Company's shares may apply to independent directors in the order established by the Company's internal documents.

9 Committee's Chairperson and Secretary

9.1 In its work the Committee shall be guided by a Chairperson elected from among the independent directors.

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

9.2.1 to organize the Committee's meetings;

9.2.2 to preside over the Committee's meetings. In case of his/her absence on the Committee's meeting its members shall elect a presiding person from among the present members.

9.2.3 to draw up work plans of the Committee pursuant to the Board's plan of activities, and also including proposals of the Board's Chairperson, the Committee's members, decisions of the Committee and the Board;

9.2.4 to take all actions required for timely provision of information to the Committee's members sufficient for decision taking on the agenda;

9.2.5 to represent the Committee before the Board of Directors;

9.2.6 to report to the Board of Directors on the Committee's performance.

9.2.7 to ensure that minutes of the Committee's meetings are made up in the timely and accurate manner;

9.2.8 to control the fulfillment of the Committee's work plan.

9.3 The Committee's Secretary shall be responsible for organizational issues, provision of documentation and information for the Committee.

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

10.1 The committee's meetings shall be convened by the Committee's Chairperson pursuant to the approved work plan and at least four times per year. Meetings of the Committee shall be conducted in the form of joint attendance of the Committee's members (physical meetings) at least twice a year.

10.2 The Committee shall approve its work plan on a meeting which is to be carried out within thirty business days after the meeting of the Board of Directors on which the work plan of the Board of Directors is approved and (or) the Committee is established.

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

10.4 Members of the Committee, members of the Board of Directors who are not members of the Committee, the individual executive body (the Company's General Director), members of the Company's Audit Commission, the Company's Auditor, and the head of the Internal Auditing Department may request the Committee's Chairperson to consider any issue within the Committee's competence.

10.5 The Chairperson may convene a meeting of the Committee beyond the framework of its plan pursuant to proposals submitted.

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

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

11.1 The Secretary of the Committee shall send to the Committee's members (by fax, email or courier) a written notice about the meeting specifying the date, time, venue, and agenda, enclosing explanatory notes, draft resolutions, forms for individual voting and other documents, at least three days prior to the date of the meeting.

11.2 The quorum for holding a meeting shall be at least half of the elected members of the Committee. Votes of the members who are absent from the meeting but have sent completed and signed individual voting forms to the Secretary of the

Committee before the meeting shall be taken into consideration when determining the quorum and finalizing voting results.

11.3 The Committee can invite to its meetings members of the Board of Directors, individual executive body (the Company's General Director), members of the Company's Audit Commission, the Company's Auditor, head of the Internal Auditing Department, other Company's employees, and experts engaged by the Company.

11.4 Explanatory notes, draft resolutions and other documents related to the agenda must be submitted by speakers to the Secretary of the Committee at least five days prior to the Committee's meeting in electronic form and in hard copies in Russian and, as the case may be, in English.

11.5 Decisions at the Committee's meetings shall be taken on the basis of mutual presence taking into account individual voting forms of members absent from the meeting submitted prior to the Committee's meeting, and also on the basis of absentee voting. The Committee may use communication means (tele- and videoconference calls, internet, etc.) during its meetings.

11.6 Decisions at the Committee's meetings shall be taken by the majority of the Committee's members present at the meeting (who submitted individual voting forms). Each committee member shall have one vote. In case of an equal division of votes the person presiding over the meeting shall have the casting vote.

11.7 Decision on a meeting of the Committee to be carried out on the basis of absentee voting shall be taken by the Committee's Chairperson who shall determine the date of the meeting and the agenda.

11.8 In case of absentee voting members of the Committee shall send individual voting forms completed and signed to the Committee's Secretary by fax or email, and also provide an original with a courier.

11.9 Members of the Committee whose individual voting forms are received by the Committee's Secretary not later than the date determined by the Committee's Chairperson for a meeting to be held on the basis of absentee voting shall be considered to have participated in the absentee voting.

12 Minutes of the Committee's Meetings

12.1 The Secretary of the Committee shall prepare minutes of meeting not later than two business days after the meeting held on the basis of mutual presence or absentee voting.

12.2 The minutes shall set out:

- date, time and venue of the meeting (or the date of absentee voting);
- persons present at the meeting (or those who have provided their individual voting ballots in accordance with p.11.2 of these Regulations);
- the meeting's agenda (or the agenda of the absentee voting meeting);
- issues put to the vote, and the results of voting thereon;
- resolutions adopted (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, responsible for the minutes' accuracy.

Attached to the minutes shall be individual forms of voting on the agenda's issues and other documents presented for the consideration of the Committee.

12.4 If the Committee takes a decision with recommendations to the Board of Directors the Committee's Secretary shall submit the following documents to the Board of Directors:

- copy of the Minutes of the meeting of the Committee;

- abstracts from the Minutes of the meeting of the Committee containing the recommendations on the items of the preliminary agenda of the Board of Directors' meeting;

- explanatory notes/presentation materials;
- draft resolutions of the Board of Directors;
- annexes (schedules, programs, regulations, calculations, etc).

12.5 Originals of the Minutes of the Committee's meetings shall be kept by the Committee's Secretary, who will insure their continuous keeping.

12.6 Minutes of the Committee's meetings shall be provided to members of the Committee upon their written requests.

12.7 Upon a request sent to the Committee's Secretary an abstract from the minutes of meeting shall be issued.

12.8 The Secretary of the Committee shall control the fulfillment of the Committee's resolutions.

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 business 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 regarding issues falling within the competence 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 efficiency, members of the Committee must have access to required information.

14.2 The individual executive body (the Company's General Director), heads of structural divisions of the Company shall, within the terms set by the Committee and according to the existing procedures, provide full and correct information and required documents on issues to be discussed at the Committee's meetings.

14.3 Information and documents mentioned in p.14.2 of these Regulations shall be submitted to the Committee through the Secretary of the Committee responsible for interrelation of the Committee and the individual executive body (the Company's General Director) and heads of structural divisions of the Company.

15 Assistance to the Committee

15.1 The activities of the Committee shall be financed out of the Company's budget 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 a 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's members shall be guided by the applicable laws of the Russian Federation.