

APPROVED

By the extraordinary General Meeting of  
Shareholders of the Open Joint Stock Company  
“Novolipetsk Iron & Steel Corporation”

Minutes № 20

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## **CODE**

**Of Corporate Governance  
of the Open Joint Stock Company  
“Novolipetsk Iron & Steel Corporation”**

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## **Introduction**

This Code of Corporate Governance (hereinafter “Code”) introduces the general concepts of standards of Corporate Governance (behavior) in the Open Joint Stock Company “Novolipetsk Iron & Steel Corporation” (hereinafter “Company”) purposed to protect rights and interests of shareholders.

This Code is elaborated in accordance with the main principles recommended by the Organization for Economic Cooperation and Development (Principles of Corporate Governance, 1999) for the companies located in the territory of member states, one of which is the Russian Federation, and the provisions of the Code of Corporate Governance approved by the Order of the Federal Commission on the securities market dd. April 4, 2002 №421/r “On recommendations regarding application of the code of Corporate Governance”.

The standards of Corporate Governance stipulated in this Code are not comprehensive and are contained in other corporate documents of OJSC “NLMK”, including:

- Charter of OJSC “NLMK”;
- Regulation on the Board of Directors of OJSC “NLMK”;
- Regulation on the Management Board of OJSC “NLMK”;
- Procedures of the General Meeting of Shareholders of OJSC “NLMK”.

## **Chapter 1. Principles of Corporate Governance**

Open Joint Stock Company “Novolipetsk Iron & Steel Corporation”, being one of the largest steelmaking companies owned by thousands Russian and foreign shareholders, confirms the necessity to comply with the following principles of Corporate Governance:

1. OJSC “NLMK” seeks to ensure effective and transparent devices for providing rights and interests of shareholders stipulated in the applicable legislation, the Charter and other documents of the Company.
2. OJSC “NLMK” regards the increase of market value of the Company’s shares as one of its main purposes.
3. OJSC “NLMK” provides the policy of equal treatment of all shareholders, either minor or major, Russian or foreign.
4. OJSC “NLMK” seeks to provide realization of shareholders’ rights to participation in administration of the Company by means of shareholders’ participation in the work of meetings, voting on the issues included in the agenda, prompt receipt of information on activities of the Company, its administration, control and auditing bodies.
5. OJSC “NLMK” provides the policy of observance of third parties’ rights, including creditors and employees of the Company, stipulated in the applicable legislation, Charter and other documents of the Company.
6. OJSC “NLMK” provides the unified corporate policy in respect of the Company’s subsidiary companies.
7. OJSC “NLMK” provides the policy of information openness and transparency.
8. OJSC “NLMK” provides the policy of observance of business ethics in conducting its business.
9. OJSC “NLMK” seeks to provide the compliance with the applicable legislation and international Corporate Governance standards.

## **Chapter 2. Structure of Corporate Governance of the Company**

### **2.1. General Meeting of Shareholders of OJSC “NLMK”, shareholders of the Company**

Shareholders of OJSC “NLMK”, being the owners of the Company, have the set of rights exercised both by shareholders and through their proxys by means of participation in the work of general meetings of shareholders with the right to vote on all issues referred to the competence of the said meetings.

Shareholders are entitled to regular and prompt information on activities of the Company in the size enough to decide on disposal of shares, including the information:

- on transactions which may essentially influence the financial results of the Company;
- on material developments and events;
- on obligations of the Company before third parties, provided that failure to perform such obligations may lead to reduction in the value of shares of OJSC “NLMK”;
- on increase or reduction in the Charter Capital of the Company.

Shareholders are entitled to receive regular and prompt information on the amount of remunerations paid to directors of the Company (members of the Board of Directors, members of the Administrative Board) in accordance with resolutions of the Committee on Personnel and Remunerations, including the information on the procedure and criteria for determining the amount of such remunerations, system of material stimulation and providing directors with calls for the Company’s shares.

Shareholders are entitled to receive a part of net profit of OJSC “NLMK” in the form of dividends.

Large shareholders possessing more than 5 per cent of shares comprising the Charter Capital of OJSC “NLMK” are entitled to convoke the meeting of the Board of Directors of the Company within the procedure stipulated in the Charter of the Company.

Shareholders of OJSC “NLMK”, being the owners of the Company and acknowledging their possession of shares, shall be held responsible before each other and the Company for long-term stability and profitability of the Company.

Shareholders shall not suppress the Board of Directors and executive bodies of OJSC “NLMK” or use the insider information in transactions concerning shares of OJSC “NLMK” or its subsidiaries.

Shareholders acknowledge the necessity to disclose the information on major transaction conducted by them with shares of OJSC “NLMK” (with the value of more than 10 per cent of the Company’s Charter Capital).

Shareholders acknowledge the necessity to disclose the information on their owners and affiliated persons.

### **2.2. Board of Directors of the Company**

The Board of Directors provides the general administration of the Company’s activity in the periods between meetings of shareholders, determines the development strategy of the Company and provides the effective control over the financial and economic activities.

The main purpose of the Board of Directors is fair and competent performance of duties on administration of the Company providing the increase in the value of the Company's shares and the shareholders' welfare, protection and applicability of shareholders' rights.

The Board of Directors in its decisions proceeds from the necessity to act fairly in respect of all shareholders, provide the conditions for exercising shareholders' rights and shall not act in the interests of one group of shareholders only.

The Board of Directors is responsible for proper functioning of the system of disclosure and dissemination of information on activities of the Company.

The Board of Directors approves:

- priorities of the Company;
- financial and economic plan (budget) of the Company;
- internal control procedures;

The Board of Directors may include executive directors, provided that their amount shall not exceed one fourth of the total amount of members in the Board of Directors of the Company.

The General Director of the Company may not simultaneously perform the duties of the Chairman of the Board of Directors. Members of the Board of Directors of the Company may not be members in the Revision and/or Counting Commission of the Company.

The Company intends to provide the presence of no less than 3 (three) independent directors in the Board of Directors in order to exclude domination of one person or a group of persons in the course of passing resolutions by the Board of Directors.

Any person appointed as "an independent director" shall satisfy the following requirements:

1. have not been an officer (manager) or employee of the Company or an officer (manager) or employee of the Company's managing company;
2. is not an officer of other Company in which any of the Company's officers is a member of the Committee of the Board of Directors on Personnel and Remunerations;
3. is not an affiliated person of a manager or officer of the Company's managing organization;
4. is not an affiliated person of the Company or an affiliated person of the Company's affiliated persons;
5. is not a party to an agreement with the Company under which it may acquire property (receive money) with the value of 10 or more per cent of the total annual income of that person, except the remuneration for participation in the Board of Directors;
6. is not a large counterpart of the Company (a counterpart is considered to be large in case the total amount of transactions between such counterpart and the Company is 10 or more per cent of the book value of the Company's assets);
7. has declared in public way his status as an independent director;
8. shall immediately inform the Company in case of circumstances impeding an independent director to correspond to the status of an independent director;
9. has the required qualification;
10. enjoys good reputation;
11. participates in the Board of Directors of the Company in good faith;
12. is not a state representative.

An independent director may not be considered as such upon expiration of a continuous 5-year term within which he has performed the duties of a member of the Board of Directors.

The Board of Directors shall establish the transparent system for estimation of its activity and activity of each member of the Board of Directors in accordance with international Corporate Governance principles.

Amounts of remunerations and compensations paid to members of the Board of Directors and the payment procedure shall be determined by the Regulations on Remuneration of members of the Board of Directors of OJSC “NLMK” approved by the General Meeting of Shareholders of the Company.

Member of the Board of Directors shall:

- act fairly and in the interests of all shareholders and the Company;
- have the necessary professional qualification;
- have enough time for effective performance of duties of a member of the Board of Directors;
- cease to be the proxy of any persons or a group of persons from the moment of his election and act in the interests of all shareholders and the Company;
- fairly disclose full information on his interest in the Company’s transactions.

The Board of Directors shall establish the following consistent committees to deal with certain tasks of OJSC “NLMK”:

- The Strategic Planning Committee;
- The Committee on Personnel, Remunerations and Social policy;
- The Audit Committee.

The tasks and procedures of forming and activity of each Committee shall be determined by the appropriate internal documents of the Company subject to approval by the Board of Directors and binding for all subdivisions and officers of the Company.

Each of the said committees shall be headed by a member of the Board of Directors of the Company. One member of the Board of Directors may not be a member in more than two committees.

The Board of Directors of the Company shall provide its meetings on a regular basis but no less than 6 (six) times per year. The work of the Board of Directors shall be provided in accordance with the schedule approved at one of the first meetings which shall be made available to shareholders by publishing in mass media.

The Board of Directors of the Company shall approve and publish the Report on remuneration of the General Director, members of the Management Board – executive directors, members of the Audit Committee upon the recommendation of the Committee on Personnel, Remunerations and Social policy in the end of each financial year.

The Company intends to provide the appropriate insurance of professional activities of the Company’s directors.

### **2.3. Executive bodies of the Company**

The General Director and the Management Board of OJSC “NLMK” are the executive bodies of the Company; they provide Corporate Governance and the effective work of the Company, perform the tasks determined by the Board of Directors, provide cooperation with trade union organizations in order to account the interests of the Company’s employees, provide cooperation with the state bodies and local authorities.

The general Director, members of the Management Board of the Company and the heads of subdivisions shall promptly submit full and reliable information upon the requests of members of the Board of Directors. The information requested shall be submitted to the Corporate Secretary of the Company to be sent to the member of the Board of Directors who has applied with such request.

Management bodies shall motivate the employees to work effectively and establish the dependence of material stimulation of employees on the results of the Company’s performance.

The General Director is responsible for organization, condition and reliability of accounting in the Company, prompt submission of annual reports and other financial statements to the corresponding agencies, and information on activity of the Company to be submitted to shareholders, creditors and mass media.

Amounts of remunerations and compensations paid to members of the Management Board and the payment procedure shall be determined by the Regulation on remuneration of members of the Management Board of OJSC “NLMK” approved by the Board of Directors of the Company as advised by the Committee on Personnel, Remunerations and Social Policy.

### **2.4. Corporate Secretary**

The Corporate Secretary shall act in OJSC “NLMK” in order to provide the rights and interests of shareholders, including, but not limited to, establishing the effective and transparent devices for provision of shareholders’ rights.

The duties of the Corporate Secretary include the provision of the compliance by the Company, its management bodies and officers with the requirements stipulated in the applicable legislation, Charter and internal documents of the Company. The Corporate Secretary shall provide the process of communication between the parties to corporate relationships, including preparation and holding of the General Meeting of Shareholders and meetings of the Board of Directors of the Company, keeping, disclosure and submission of information on the Company, consideration of shareholders’ applications.

Rights and duties of the Corporate Secretary of the Company, procedure of his appointment and early termination of his powers and the requirements to his candidature shall be determined by the Charter and other internal documents of the Company.

## **Chapter 3. Disclosure of information on activities of the Company**

One of the main tasks of OJSC “NLMK” is to provide the transparency and completeness of information on activity of the Company to be disclosed to shareholders and investors.

OJSC “NLMK” complies with the principle of voluntariness in disclosure of information on activities of the Company.

OJSC “NLMK” seeks to broaden the size of information published on a regular basis. The channels by which the information is disseminated shall provide shareholders and investors with equal, prompt and low-cost access to such information.

OJSC “NLMK” provides publishing the draft documents submitted for discussion at meetings of shareholders, information on candidates nominated in management bodies of the Company and control and audit bodies.

The main principles, rules and procedure of disclosure of information are governed by the Regulation on information policy of OJSC “NLMK”, approved by the Board of Directors of the Company.

#### **Chapter 4. Control over financial and economic activities of the Company**

OJSC “NLMK” provides forming of the structure of control and audit bodies which enables to provide the effective control over financial and economic activities of the Company.

For these purposes OJSC “NLMK” involves external auditors having no common proprietary interests with the Company in annual inspections and approval of financial statements.

Audit of the appropriate financial statements shall be provided in strict compliance with the requirements of the applicable legislation of the Russian Federation and the audit standards applicable in the United States.

OJSC “NLMK” provides participation of the auditor’s proxys and members of the Revision Commission in the work of general meetings of shareholders.

The Board of Directors shall form the consistent Audit Committee comprised of three members in order to provide the control over the effectiveness of the audit, independence and objectivity of external auditors; executive directors of the Company may not be members in the Audit Committee.

OJSC “NLMK” provides prompt and full disclosure of information on the results of work of the bodies providing the internal control over activity of the Company.

#### **Chapter 5. Final provisions**

This Code shall be approved by the General Meeting of Shareholders of OJSC “NLMK” and published within the procedure stipulated in the Regulation on Information Policy of OJSC “NLMK”.

This Code may be amended or added by resolution of the General Meeting of Shareholders of the Company.