

APPROVED BY

Extraordinary General Shareholders' Meeting
of Mechel Joint Stock Company

Minutes No. _____ of the Extraordinary General
Shareholders' Meeting dated _____ 2016

Chairman of the Meeting

_____ (_____)

Secretary of the Meeting

_____ (_____)

**REGULATION
OF THE BOARD OF DIRECTORS OF
MECHEL PUBLIC JOINT STOCK COMPANY**

Moscow 2016

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1. GENERAL PROVISIONS

Article 1. Regulation of the Board of Directors

This Regulation of the Board of Directors of Mechel Public Joint Stock Company (hereinafter the "Company") is prepared in accordance with the Civil Code of the Russian Federation, the Federal Law "On Joint Stock Companies," other laws and regulations of the Russian Federation, applicable rules, regulation and law of the stock exchanges where the Company's securities are listed, and the Company's Charter, the principles guiding the activity of the Company's Board of Directors, its status, formation, and competence, the powers and liability of the members of the Board of Directors, and procedures for convening and holding meetings of the Board of Directors and formalizing its resolutions.

Article 2. Terms and Definitions

1. The terms and definitions used in this Regulation are applied in the meaning they are used in the laws of the Russian Federation on joint stock companies and securities, unless otherwise provided for in this Regulation.

2. For the purposes of this Regulation the following terms and definitions are used:

"loyalty" - an attitude of a member of the Board of Directors toward the Company whereby the member refrains from using his (her) position in the Company in the interests of other parties;

"confidentiality" - keeping information on the Company and its operations secret from third parties;

"officials" - persons carrying out organizational/managerial or administrative/business functions at the Company and employed by the Company;

"employee" - persons employed by the Company, other than officials;

"executive director" - a member of the Board of Directors who is also an official of the Company;

"absentee voting" - a method of resolution adoption whereby the members of the Board of Directors are polled without their joint attendance, using ballots.

"independent director" is a member of the Board of Directors that can be recognized as "independent" only after the Board of Directors confirms that such a member of the Board of Directors is not in material business relations with the Company or its subsidiaries (directly or as a partner, shareholder or an official of an organization that has such relations with the Company or its subsidiaries).

In addition, a member of the Board of Directors may not be recognized as independent if:

- a) a member of the Board of Directors is currently (or was within the past 3 years) an employee of the Company or its subsidiaries, or immediate family member of a member of the Board of Directors is currently (or was within the last 3 years) an official of the Company or its subsidiaries;
- b) a member of the Board of Directors or its immediate family member is currently (or was within the last 3 years) an official of other company (or its subsidiaries), and any of the present officials of the public company is or was a member of the compensation committee of such a company or its subsidiary;
- c) a member of the Board of Directors is an affiliated person of any official (manager) of the Company or the Company's managing organization;
- d) a member of the Board of Directors is currently (or was within the last three years) a partner or an employee from a firm that performs internal and external audit at the Company or its subsidiaries, or immediate family member of a member of the Board of Directors is currently (or was within the last three years) a partner or an employee from a firm that performs internal and external audit at the Company or its subsidiaries, or a member of the Board of Directors or its immediate family member within the last three years was a partner or an employee of such a firm and was personally involved in the audit of a registered company within this period;

- e) a member of the Board of Directors is a present employee (or immediate family member of a member of the Board of Directors is a present official) of a partner (or its subsidiaries) that paid to and received the monetary funds from the Company and its subsidiaries for the property or services in the amount exceeding the maximum of the two values – USD 1 mln or 2% of consolidated gross revenue of such a partner and its subsidiaries for any of the last 3 financial years;
- f) a member of the Board of Directors or its immediate family member received from the Company or its subsidiaries during 12 month-period over the last 3 years more than USD 120 thousand as direct compensation (in addition to compensation as a member of the Board of Directors and(or) a member of the committee of the Board of Directors, as well as pensions and other forms of deferred compensation for prior activity not related to the present activity);
- g) a member of the Board of Directors is a party to obligations with the Company pursuant to which it can acquire property (receive monetary funds) in the amount of minimum 10% of its total annual income, other than compensation for participation in the Board of Directors' activities;
- h) a member of the Board of Directors is a major counterparty of the Company (i.e. counterparty the total amount of transactions with in one year is less than 10% of the book value of the Company's assets);
- i) Member of the Board of Directors holds the position of member of the Board of Directors of the Company in the aggregate for more than 7 years. In calculating this period the period of the membership in the board of directors of a restructured legal entity, if this member of the Board of directors was elected in the board of directors of the successor legal entity should be taken into account;
- j) member of the Board of Directors is not a representative of the state or associated with the state or a municipal entity;
- k) .
 - An “immediate family member” is a spouse of a person, his/her parents, children, siblings, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who lives with such a person in the same house. The term “official” shall mean a company's president, chief executive officer in charge of finance, chief accountant (or, if absent, a controller), any vice-president of the company in charge of a principal business unit, division or function (such as sales, administration or finance), any other official who performs a policy-making function, or any other person who performs similar policy-making functions for the company. Officials of the company's subsidiaries shall be deemed officials of the company if they perform such policy-making functions for the company.

The status of independent director shall be determined by resolution of the Board of Directors subject to applicable laws, the rules of the exchange where the Company's securities are traded, the Company's Charter and internal documents, and other relevant factors.

Article 3. Board of Directors

The Board of Directors of the Company exercises general management of its activities except in issues assigned by federal laws and the Company's Charter to the competence of the Company's general shareholders' meeting (hereinafter the "General Shareholders' Meeting").

The Board of Directors acts in accordance with the laws of the Russian Federation, the Company's Charter, resolutions of the General Shareholders' Meeting, this Regulation, and other internal documents of the Company.

The Board of Directors acts in the interests of the Company and its shareholders and is accountable to the General Shareholders' Meeting.

2. OBJECTIVES AND TASKS OF THE BOARD OF

DIRECTORS Article Article 4. Objectives and principles of

Board of Directors

1. The objectives of the Board of Directors are to ensure the maximum profitability of the Company, increment of its assets, protect the rights and legitimate interests of shareholders, exercise continuous oversight over the Company's executive bodies, and guarantee that public information on the Company is complete, accurate, and objective.

2. To achieve these objectives, the Board of Directors shall be guided by the following principles:

- adopt resolutions on the basis of reliable information on the Company's activities;
- in accordance with the laws of the Russian Federation to avoid limitation of shareholder rights to manage the Company's affairs, receive dividends and information about the Company;
- ensure balance of the interests of various groups of shareholders, and taking the maximum objective resolutions by the Board of Directors in the interests of all shareholders of the Company.

Article 5. Tasks of the Board of Directors

To achieve its objectives, the Board of Directors shall, within the limits of its competence, accomplish the following tasks:

- organize the execution of resolutions of the General Shareholders' Meeting;
- define the lines of activity of the Company and the priority lines of its development;
- uphold the exercise and protection of shareholder rights, and assist in the resolution of corporate conflicts;
- evaluate political, financial, and other risks affecting the Company's operations;
- approve the Company's plans and budgets;
- determine approaches to investments, including participation in other organizations;
- evaluate the results of activities of the Company and its bodies;
- provide recommendations on the amount of dividends and the their payment procedure;
- define criteria for developing the management personnel;
- development systems and methods for personnel motivation and encouragement;
- provide for the disclosure of information about the Company;
- oversee and ensure the efficiency of the Company's executive bodies;
- ensure effective oversight over the Company's financial and business operations;
- ensure that the Company complies with the current laws;
- ensure compliance with corporate governance principles.

The Board of Directors shall annually evaluate its work and the work of its committees and take the results of such evaluation into account when issuing recommendations to the shareholders regarding membership of the Board of Directors and to the Board of Directors regarding membership of its committees.

Article 6. Members of the Board of Directors

Only natural persons, both shareholders and non-shareholders of the Company, may be members of the Board of Directors.

Members of the Board of Directors may not be members of the Company's Audit Committee.

Members of the Board of Directors shall be elected by the General Shareholders' Meeting for a term ending at the date of the next annual General Shareholders' Meeting. If an annual General Shareholders' Meeting is not held within the time established in the

Company's Charter, the powers of the Board of Directors shall be terminated with the exception of powers relating to preparing for, convening, and holding the annual General Shareholders' Meeting.

If a member of the Board of Directors is removed from the board, the powers of its remaining members will not be terminated, unless the number of remaining members falls below the number required to constitute a quorum.

The General Shareholders' Meeting may adopt a resolution terminating the powers of members of the Board of Directors only with respect to all members of the Board of Directors.

Article 7. Rights and Obligations of a Member of the Board of Directors

Members of the Board of Directors have the right:

- to demand information (documents and materials) from officials and employees of the Company in accordance with the procedure established by this Regulation, including from the Company's executive body;
- to get advice from any employee or manager of the Company as well as from an external or independent advisor of the Company;
- in exchange for performing their duties, to receive compensation and/or reimbursement of expenses associated with performance of the functions of member of the Board of Director in the circumstances and amount established by a resolution of the general meeting of shareholders of the Company;
- to inspect and obtain copies of the minutes of meetings of the Board of Directors and other collective bodies of the Company;
- to demand that their dissenting opinions on agenda items and adopted resolutions should be recorded in the minutes of a meeting of the Board of Directors;
- .

Members of the Board of Directors have the right to receive remuneration and to be reimbursed for expenses associated with performance of their duties as members of the Board of Directors pursuant to the Regulation of Compensation and Reimbursement of Expenses of Members of the Board of Directors of Mechel OAO".

Members of the Board of Directors have the obligation:

- to be loyal to the Company;
- to act within the limits of their rights pursuant to the objectives and tasks of the Board of Directors of the Company;
- to act reasonably, in good faith, and with due care for the affairs of the Company;
- to fulfill reasonably and in good faith the duties of member of the Board of Directors imposed on them by the laws of the Russian Federation, the Company's Charter and internal documents;
- to act in the interests of the Company as a whole, rather than in the interests of individual shareholders, officials, or other parties;

- to refrain from actions that would or could potentially lead to a conflict between their interests and those of the Company, and in the event that such a conflict exists or emerges, disclose relevant information to the Board of Directors and take steps to comply with the procedure for taking actions or concluding transactions they have an interest in;
- neither to divulge nor to use for personal interests or the interests of third parties any confidential information about the Company or insider information during the term of their contract as member of the Board of Directors and for a period of 10 years after the termination of their work in the Company. To give written notice to the Board of Directors, in particular, of their intention to complete transactions involving securities of the Company or its subsidiaries or dependent companies, and to disclose information to the Company on transactions with such securities completed by them, in the manner established for disclosing information on material facts;
- to initiate a meeting of the Board of Directors to resolve pressing issues;
- to attend the meetings of the Board of Directors, or, if unable to attend a meeting for valid reasons, to give notice of such reasons to the Company three calendar days before the meeting;
- to participate in the resolution adoptions of the Board of Directors by voting on items on the agenda of its meetings;
- to abstain from voting in situations where they have a personal interest in the adoption of resolutions. Members of the Board of Directors shall immediately disclose to the Board of Directors both the existence of such personal interest and the basis it arose on;
- to adopt reasonable resolutions, and for this purpose to study all necessary information and materials, perform research, and report all information relevant to the resolution, without exception, to all other members of the Board of Directors;
- when adopting resolutions, to evaluate risks and adverse consequences;
- to report their affiliations and changes in their composition to the Company in a timely manner;
- to inform the Company in a timely manner about changes in the Company information, including changes in passport data and domicile, information on education, job position, service on the Boards of Directors or positions with other legal entities, and on nomination to Boards of Directors and election/appointment to positions with other legal entities, and information on relationships with major counterparties of the Company. The aforesaid information, as well as information on the member's affiliations and changes to such information shall be disclosed in a timely manner in the form of a personal statement of the member of the

- Board of Directors;
- to provide the Board of Directors with information on proposed transactions where they may be deemed as interested parties;
 - to participate in expert evaluations of projects and programs proposed by the Board of Directors;
 - to prepare proposals on improving the Company's financial and business operations on the instructions of the Board of Directors;
 - upon becoming aware of any violations of laws and regulations, the Company's Charter, or its Regulations, rules or instructions committed by employees (including officials) of the Company, to inform the other members of the Board of Directors;
 - to prepare items within their competence and submit them to the Board of Directors for consideration;
 - to attend General Shareholders' Meetings and answer questions asked by participants in such meetings;
 - not to transfer the voting rights of a member of the Board of Directors to any other person, including other member of the Board of Directors;
 - not to accept gifts from persons with an interest in a resolution of the Board of Directors, or accept any benefit (direct or indirect) offered by such persons;
 - not to use their position and information received on the Company for personal interests, or permit the use of these in the interests of other parties;
 - to provide the Board of Directors, the Audit Committee, and the Company's auditor with information in writing:
 - on the legal entities where they independently or with their affiliate(s) hold 20% or more of voting shares (interests, ownership units);
 - on the legal entities where they hold positions in governing bodies;
 - on any known current and proposed transactions where they may be deemed interested parties.

The above information shall be communicated to the Board of Directors, the Audit Committee, and the Company's auditor within 5 calendar days of the date when such a situation arises.

- to disclose information on holdings of Company securities and on the sale and/or purchase of Company securities.

Whether a member of the Board of Directors is deemed an interested party will be determined in accordance with Article 81 of the Federal Law "On Joint Stock Companies."

Members of the Board of Directors shall comply with the requirements of the Code of Business Conduct and Ethics approved by the Board of Directors.

Independent directors shall refrain from actions that may compromise their independent status, and shall inform the Company in a timely manner about changes in their status.

Every member of the Board of Directors shall continue education in the business of the Company and the industry and markets it operates in.

Article 8. Exercise of the Rights and Obligations of Members of the Board of Directors

1. The activities of members of the Board of Directors shall be continuous and not limited to participation in the resolutions of the Board of Directors.

2. For the purpose of exercising their rights and performing their duties, members of the Board of Directors are entitled to interact with all officials of the Company, provided that it does not contradict to the laws and regulations and the Company's Charter and internal documents and does not exceed the competence of the Company's officials and bodies.

3. The person keeping records of the minutes of meetings of the Board of Directors shall at the request of any member of the Board of Directors provide such member with certified copies within the established time period.

Article 9. Duties of the Individual Executive Body and Other Officials and Employees of the Company to Comply with Requests of Members of the Board of Directors

1. The Company's Sole Executive Body, members of the Company's Collective Executive Body and/or the Company's other officials and employees shall provide any information required by any member relating (directly or indirectly) to the Company's business, except for private information or information breaching the family secret, secrecy of correspondence, phone conversations, postal, telegraph and personal correspondence.

2. If the Company's individual executive body and/or other officials and employees of the Company are unable to provide information requested by a member of the Board of Directors, they shall immediately provide a reasoned refusal and deliver it in writing to the member of the Board of Directors within one day.

3. Refusal to provide the above information shall be reported to the Board of Directors by the relevant member and shall be specified in the "Corporate Actions" section of the Company's annual report.

4. The Company's individual executive body and/or officials and employees shall at the request of a member of the Board of Directors make information available to him/her and allow copies of documents and materials to be made.

3. CHAIRMAN OF THE BOARD OF DIRECTORS

Article 10. Election of a Chairman and Deputy Chairman of the Board of Directors

1. The members of the Board of Directors shall elect a Chairman from among their number by majority vote of the total number of members of the Board of Directors.

2. The person performing the functions of the Company's individual executive body may simultaneously be the Chairman of the Board of Directors.

3. Members of the Board of Directors may elect a deputy Chairman of the Board of Directors, who will perform the functions of Chairman in his/her absence.

4. The Board of Directors may at any time reelect its Chairman or deputy Chairman by majority vote of the total number of members of the Board of Directors.

Article 11. Functions of the Chairman of the Board of Directors

1. The Chairman of the Board of Directors shall:

- organize the work of the Board of Directors and ensure effective organization of the activities of the Board of Directors and its committees;
 - cooperate and maintain contacts with the Company's other bodies and officials for purposes of receiving in a timely manner the most complete and accurate information required for the Board of Directors to adopt resolutions and to ensure the effective cooperation of all such bodies and officials among themselves and with third parties;
 - take all necessary steps to provide members of the Board of Directors with timely information required to adopt resolution on items on the agenda;
 - convene meetings of the Board of Directors and arrange for timely and due notice of such meetings to be given to the members of the Board of Directors;
 - take chair at the meetings of the Board of Directors and ensure compliance with procedures for conducting meetings;
 - ensure that the minutes of meetings of the Board of Directors are properly prepared;
 - ensure that the members of the Board of Directors have the opportunity to express their views on items under discussion, ensure a constructive and friendly atmosphere at meetings of the Board of Directors, and facilitate the consensus of its members on resolutions in the interests of the Company;
 - organize the elaboration of the most effective resolutions on agenda items;
 - organizing the keeping of the minutes at meetings of the Board of Directors, sign the minutes, and be responsible for their correct and timely preparation.
2. In the absence of the Chairman and Deputy Chairman of the Board of Directors, the functions of Chairman shall be performed by one of the members of the Board of Directors pursuant to a resolution of the Board of Directors adopted by majority vote of all members attending the meeting. Persons performing the functions of Chairman of the Board of Directors in his/her absence may exercise any of the powers granted to the Chairman of the Board of Directors.
 3. The Chairman of the Board of Directors may not delegate his/her functions to another person.

4. SECRETARY OF THE BOARD OF

DIRECTORS Article 12. Election of a Secretary of

the Board of Directors

1. The Secretary of the Board of Directors may be elected from among its members.
The role of Secretary of the Board of Directors may also be filled by an appointed person who is not a member of the Board of Directors. The Secretary will perform the duties of Secretary of the Board of Directors until such time as a new Secretary is appointed.
2. The person performing the functions of the Company's individual executive body may not simultaneously be the Secretary of the Board of Directors.
3. The Board of Directors may at any time reelect its Secretary.
4. If a Corporate Secretary (Company Secretary) is appointed in accordance with the Company's Charter, the functions of Secretary of the Board of Directors may be assigned to the corporate Secretary (Company Secretary).

Article 13. Duties of the Secretary of the Board of Directors

1. The Secretary of the Board of Directors shall:
 - keep and prepare the minutes of meetings of the Board of Directors;
 - tally the results of voting on resolutions;
 - keep records and store incoming documents and copies of outgoing documents of the Board of Directors;
 - notify the members of the Board of Directors of the meetings of the Board of Directors;
 - distribute the ballots to the members of the Board of Directors for resolution adoption by the Board of Directors adopted by poll (absentee voting)
 - store the minutes of meetings of the Board of Directors;
 - store the resolutions of the Board of Directors adopted by poll (absentee voting);
 - store ballots sent to the Board of Directors by members of the Board of Directors for the resolution adoption by poll (absentee voting);
 - perform other functions in accordance with this Regulation, Company internal documents, and instructions of the Chairman of the Board of Directors.
2. For the purpose of providing for the activities of the Secretary of the Board of Directors, necessary funds for expenditures may be provided for in the budget or cost estimate of the Company or the Board of Directors, within limits approved by the Board of Directors.

Article 14. Compensation of the Secretary of the Board of Directors

1. For performing the functions of Secretary of the Board of Directors, the Secretary may receive compensation for the period when he performs such duties.

The Secretary of the Board of Directors will be reimbursed for expenses associated with performance of his\her functions.

The amounts of compensation and reimbursement to be paid to the Secretary of the Board of Directors shall be established by a resolution of the Board of Directors.

5. MEETINGS OF THE BOARD OF DIRECTORS

Article 15. Convening of Meetings of the Board of Directors

1. Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors on his/her own initiative or at the request of any of the persons specified in p. 1 of Article 68 of the Federal Law "On Joint Stock Companies" and the Company's Charter.

2. When a resolution to convene a meeting of the Board of Directors is adopted, the following shall be specified:

- date, time, and place of the meeting;
- agenda of the meeting;
- list of information and materials to be provided to the members of the Board of Directors for the meeting in praesentia.

Article 16. Time and Place of a Meeting of the Board of Directors

1. Meetings may not be held at a time and place that significantly hinders or precludes the attendance of a majority of the members of the Board of Directors.

2. Meetings of the Board of Directors may not be held at night (10.00 p.m. to 6.00 a.m. local time).

3. Meetings may not be held in production facilities or other premises that would

prevent
Board of Directors from working normally.

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Article 17. Notification of Members of the Board of Directors concerning the Convening and Holding of a Meeting of the Board of Directors in praesentia

1. All members of the Board of Directors shall be notified of the Board of Directors meetings. Notice of the Board of Directors meeting shall be sent to all members of the Board of Directors in writing or in any other way they may find convenient (including by post, telegraph, teletype, phone, email or otherwise).

2. The notice of a meeting shall specify:

- initiator of the meeting (name of the initiator or of the body or legal entity requesting the meeting);
- items on the agenda;
- reasons why the agenda items are included in the agenda;
- time, date, and place of the meeting.

If a list of information (materials) to be provided to the members of the Board of Directors for the meeting has been determined, such information (materials) will be provided to all members of the Board of Directors prior to the meeting. Such information and materials will also be provided to all members of the Board of Directors attending the meeting.

Article 18. Change of Time and Place of a Meeting of the Board of Directors

1. If circumstances arise that hinder or preclude a meeting of the Board of Directors from being held at the time and/or place communicated to the members of the Board of Directors, the meeting may be held with the same agenda at a different time and/or place. Such meeting shall be held within 10 days of the date of the aborted meeting.

2. In the event of a change in the time and/or place of a meeting of the Board of Directors, all members of the Board of Directors shall be notified of such change by the Chairman of the Board of Directors, taking into consideration the normal time required for members of the Board of Directors to attend the meeting. A notice of such change shall be delivered to the members of the Board of Directors, in any form that guarantees receipt, to each member's specified location or address for correspondence.

3. A meeting of the Board of Directors may not be postponed more than once.

Article 19. Request to Convene a Meeting of the Board of Directors

1. A request to convene a meeting of the Board of Directors shall be submitted to the Chairman of the Board of Directors in writing and include the following information:

- initiator of the meeting (name of the initiator or of the body or legal entity requesting the meeting);
- items on the agenda;
- reasons why the agenda items are included in the agenda;
- address a reply to the request should be sent to;
- signature of the person (or director of the body) requesting the meeting.

2. The request shall be signed by the initiator of the meeting.

To the request to hold a meeting shall be attached the documents and other materials required for the examination of agenda items and for decision making.

If a request to hold a meeting is made by the Company's collective body, the request shall be signed by the members of that body who voted "for" the resolution to make the request.

3. The date of receipt of a request by the Chairman of the Board of Directors shall be deemed the date of such request.

Article 20. Consideration of a Request to Convene a Meeting of the Board of Directors

1. The Chairman of the Board of Directors may not refuse to convene a meeting except when:

- request to convene the meeting does not conform to laws and regulations, the Company's Charter, this Regulation, and other internal Company documents;
- initiator does not have the right under federal law and the Company's Charter to request the convening of a meeting of the Board of Directors;
- agenda item(s) specified in the request are not within the competence of the Board of Directors.

2. The Chairman of the Board of Directors shall examine each submitted request and adopt a resolution whether to convene a meeting of the Board of Directors or not within 3 business days from the date of the request.

3. The Chairman of the Board of Directors shall inform the initiators of a meeting of his/her resolution in a manner convenient for them (including via post, telegraph, teletype, phone, electronic mail, or other means of communication) within 3 business days upon adopting the resolution.

4. A meeting of the Board of Directors held at the request of persons specified in section 68.1 of the Federal Law "On Joint Stock Companies" and the Company's Charter shall be held within 20 business days upon the date of such request.

Article 21. Obligatory Convening of a Meeting of the Board of Directors

1. The Chairman of the Board of Directors shall be obligated to convene a meeting of the Board of Directors to decide the following issues:

a) convening of the annual General Shareholders' Meeting and the adoption of the resolutions required to convene and hold such meeting provided for in p. 1 of Article 54 of the Federal Law "On Joint Stock Companies";

b) approval of the Company's annual report pursuant to p.4 of Article 88 of the Federal Law "On Joint Stock Companies" and recommendations on the amount of dividends and the dividend payment procedure;

c) examination of items proposed by shareholders for inclusion in the agenda of the annual

General Shareholders' Meeting and nominations of candidates for the Company's bodies in the manner

provided for in p. 1 and 2 of Article 53 of the Federal Law "On Joint Stock Companies," and adoption of resolutions to include or not include items in the agenda of the annual General Shareholders' Meeting and to include or not include candidates in the list of candidates for election to the Company's bodies;

d) convening of a General Shareholders' Meeting in the case provided for in p.2 of Article 68 of the Federal Law "On Joint Stock Companies" and other cases provided for in effective laws;

e) election of the Company's individual executive body in the event of early termination of his/her powers;

f) suspension and early termination of the powers of the Company's individual executive body

in the cases established by the laws of the Russian Federation, the Company's Charter, this Regulation, and other internal Company documents.

Article 22. Meetings of the Board of Directors

1. Meetings of the Board of Directors shall be held as necessary, but no less than once a quarter.

Before any meeting of the Board of Directors in praesentia the non-executive directors shall hold separate meetings, including meetings of BD Committees.

2. Rules for the holding of meetings of the Board of Directors shall be defined by the Chairman of the Board of Directors.

3. Members of the Company's executive bodies and Audit Committee, representatives of state authorities, persons, who preparers the information and materials for items to be examined at a meeting, employees of the Company and its subsidiaries, and other persons may be invited to attend a meeting of the Board of Directors.

4. When adopting resolutions by the Board of Directors the members of the Board of Directors attending the meeting shall express their opinion on agenda items by voting.

5. When solving issues at a meeting of the Board of Directors each member of the Board of Directors shall have one vote.

A member of the Board of Directors may not transfer his/her vote to any other person, including other member of the Board of Directors.

In case of a tie of votes of members of the Board of Directors when voting on a resolution, the Chairman of the Board of Directors shall have a casting vote.

Article 23. Consideration of the Written Opinions of Absent Members of the Board of Directors

1. For the purposes of determining whether a quorum is present and determining the results of voting on agenda items, the written opinions of members of the Board of Directors who are absent from the meeting will be taken into consideration.

Members of the Board of Directors shall submit such written opinions to the Chairman of the Board of Directors prior to the meeting.

Such written opinions may be provided by the members of the Board of Directors by post, or email, or fax.

The written opinion of a member of the Board of Directors may contain his/her vote on all items on the agenda of the meeting or on individual items. A written opinion will be taken into consideration for the purposes of determining whether a quorum is present and determining the results of voting on agenda items only with respect to those items it contains the vote of the member of the Board of Directors for. A written opinion will be disregarded for purposes of determining whether a quorum is present and determining voting results if the written opinion contains amendments or reservations with respect to a proposed draft resolution or if amendments are made to a draft resolution at the meeting of the Board of Directors.

2. If the information and materials provided to the members of the Board of Directors for a meeting do not include a copy of the written opinion of an absent member of the Board of Directors, the Chairman of the meeting shall read out such written opinion prior to the commencement of voting on any agenda item addressed by the written opinion.

If a member of the Board of Directors attends a meeting of the Board of Directors, any written opinion submitted by that member prior to the meeting will not be read out and will be disregarded for the purposes of determining whether a quorum is present and determining voting results.

3. Written opinions of members of the Board of Directors will be disregarded for purposes of determining whether a quorum is present and determining voting results in respect of the

following items:

- approval of the priority lines and budgets of the Company;
- adoption of resolutions to convene or refuse to convene an extraordinary General Shareholders' Meeting;
- election and reelection of the Chairman of the Board of Directors;
- submission of proposals on the Company reorganization or liquidation to the General Shareholders' Meeting for consideration.

Article 24. Minutes of Meetings of the Board of Directors

1. The minutes shall be kept at the meetings of the Board of Directors by the Secretary of the Board of Directors or, in his/her absence, by a member of the Board of Directors on the instructions of the Chairman of the meeting.

2. The minutes of the meeting of the Board of Directors shall be prepared no later than 3 days after the meeting.

The following information shall be specified in the minutes of a meeting:

- time, date, and place of the meeting;
- persons who attended the meeting;
- persons who submitted written opinions on agenda items;
- agenda of the meeting;
- the issues put to a vote, and results of voting thereon;
- adopted resolutions.

The minutes of the meeting of the Board of Directors shall be signed by the Chairman of the meeting, who shall be liable for their proper preparation, and by the Secretary of the Board of Directors.

3. If written opinions of absent members of the Board of Directors have been taken into consideration for the purposes of determining whether a quorum is present and determining the results of voting on agenda items, such opinions shall be included in the minutes of the meeting as annexes. In case of the meeting of the Board of Directors held by virtue of absentee voting, the ballots completed by the members of the Board of Directors shall be attached to the minutes.

4. The Company is obliged to always keep the minutes of the Board of Directors in its principal executive office according to the procedure established by the laws of the Russian Federation.

6. REQUIREMENTS FOR RESOLUTIONS OF THE BOARD OF

DIRECTORS Article 25. Resolutions of the Board of Directors

1. Resolutions of the Board of Directors may be adopted by the following means:

a) at a meeting of the Board of Directors;

b) at a meeting of the Board of Directors when written opinions of absent members of the Board of Directors are taken into consideration for purposes of determining whether a quorum is present and determining the results of voting on agenda items;

c) by absentee voting.

2. When the Company's Charter provides that the votes of removed members of the Board of Directors are to be disregarded in the adoption of a resolution, "removed members" shall be understood to mean:

- deceased and missing persons, or persons declared to lack legal capacity;
- persons whose powers have been terminated early by resolution of the General Shareholders' Meeting;

- persons whose powers as members of the Board of Directors have been terminated or suspended by decrees of law-enforcement agencies that have entered into legal force.

3. A member of the Company's Board of Directors who did not vote in relation to, or voted against, the resolution that was adopted in contradiction with the procedure set out in the Federal Law "On Joint Stock Companies", other laws and regulations of the Russian Federation, the Company's Charter, shall be entitled to appeal to a court if said resolution violated his/her rights and legitimate interests. Such a claim may be lodged to the court within one (1) month from the moment when the relevant member of the Company's Board of Directors has, or should have, become aware of the resolution adopted.

4. Any resolutions of the Company's Board of Directors adopted in violation of the competence of the Company's Board of Directors, where the quorum requirements for the meetings of the Company's Board of Directors are not met, in case of the presence of quorum for the relevant meeting is a mandatory requirement in accordance with the Federal Law "On Joint Stock Companies", or where the required majority of votes of the members of the Company's Board of Directors is not available, shall not be valid irrespective of whether any appeals have been lodged to the court or not.

Article 26. Entry into Force of Resolutions of the Board of Directors

1. A resolution of the Board of Directors adopted at a meeting of the Board of Directors will enter into force upon the reading of the results of voting on the respective item.

2. A resolution of the Board of Directors adopted by virtue of absentee voting will enter into force on the date when the ballot acceptance ends.

7. ADOPTION OF RESOLUTIONS OF THE BOARD OF DIRECTORS BY ABSENTEE

VOTING Article 27. Adoption of Resolutions of the Board of Directors by Absentee voting

1. A resolution of the Board of Directors may be adopted by absentee voting in the manner provided for in this section.

The Board of Directors may not adopt the following resolutions by absentee voting:

- determination of the main lines of the Company's activities and their material change, including approval of the annual and quarterly budgets (financial plans);
- convening of the annual General Shareholders' Meeting and adoption of the resolutions required to convene and hold such meeting provided in p.1 of Article 54 of the Federal Law "On Joint Stock Companies";
- approval of the Company's annual report in the manner provided by Federal Law "On Joint Stock Companies";
- election and reelection of the Chairman of the Board of Directors;
- submission of proposals to reorganize or liquidate the Company to the General Shareholders' Meeting for consideration.

2. The resolution to conduct absentee voting will be made by the Chairman of the Board of Directors.

3. The following shall be established by the resolution to conduct absentee voting:

- formulation of items put to a vote;
- text and form of the ballots;
- list of information and materials to be provided to the members of the Board of Directors;
- date when the members of the Board of Directors are to be provided with ballots and other information and materials;
- deadline for receipt of ballots;
- address ballots are to be sent to.

Ballots and other information and materials may be sent to the members of the Board of Directors by post, in person, or by electronic means, or by telegraph, teletype, phone, or other form of communication.

Article 28. Ballots

1. Ballots shall contain the following information:

- full trade name of the Company;
- deadline for receipt of ballots;
- address ballots are to be sent to;
- wording of each item put to a vote, the wording of resolutions on items put to a vote, and the voting options for each, expressed as "for," "against," and "abstained";
- explanation of the voting procedure;
- instruction that the ballot shall be signed by the member of the Board of Directors.

2. Those members of the Board of Directors whose ballots are received no later than the established deadline are deemed to have participated in absentee voting.

3. A record shall be prepared on the basis of the results of absentee voting no later than 3 business days after the established deadline for receipt of voting ballots. The record shall be signed by the Chairman of the Board of Directors, who shall be liable for the proper preparation of the record, and by the Secretary of the Board of Directors.

8. FAMILIARIZATION OF MEMBERS OF THE BOARD OF DIRECTORS WITH THE COMPANY'S AFFAIRS

Article 29. Procedure for Familiarizing Members of the Board of Directors with the Company's Affairs

Each new member of the Board of Directors shall undergo a process of familiarization with the Company's affairs (induction) that introduces him/her in the Company's history, the work of the Board of Directors, documents (the Company's most recent annual reports, minutes of annual and extraordinary General Shareholders' Meetings, minutes of meetings of the Board of Directors, and other information). This process will be conducted by the Secretary of the Board of Directors on the instructions of the Chairman of the Board of Directors.

Article 30. Provision of Information (Documents and Materials) on the Company to Members of the Board of Directors

Within 10 days after votes are tallied for an election of the Board of Directors, the individual executive body shall, at the request of members of the Board of Directors, provide each member of the Board of Directors with certified copies of the Charter and internal Company documents governing the activities of its bodies.

If there are unfulfilled resolutions of the General Shareholders' Meeting, the members of the Board of Directors will also be provided with certified excerpts from the minutes of the General Shareholders' Meeting containing such resolutions.

9. CONFLICT OF INTERESTS OF MEMBERS OF THE BOARD OF DIRECTORS WITH THE INTERESTS OF THE COMPANY

Article 31. Combining the Position of Member of the Board of Directors with Positions in Other Organizations

1. A member of the Board of Directors may not be a participant of or have an interest in the charter or joint capital of legal entities that compete with the Company, unless otherwise provided for in the Charter, or hold positions in legal entities that compete with the Company.

2. Members of the Board of Directors may simultaneously hold positions in the governing bodies of other legal entities only with the consent of the Board of Directors.

Article 32. Disclosure of Information on Transactions Involving Members of the Board of Directors as Interested Parties

The Company's annual reports and statements shall include information on transactions completed by the Company with a member of the Board of Directors, his or her spouse, parents, children, full or half siblings, adoptive parents, adopted children, and/or affiliated persons, and if such persons are involved in a transaction with the Company as beneficiaries, intermediaries, or representatives in a transaction or hold 20 percent or more of the voting shares of a legal entity that is a party, beneficiary, intermediary, or representative in a transaction with the Company, or hold positions in governing bodies of a legal entity that is a party, beneficiary, intermediary, or representative in a transaction, or positions in governing bodies of the managing organization of such a legal entity.

Information on the aforesaid transactions shall include information on all participants in the transactions, the time when the transactions were completed, their execution, the price, and approval of the transaction by the Board of Directors or the General Shareholders' Meeting.

10. COMMITTEES OF THE BOARD OF DIRECTORS

Article 33. Formation of Committees of the Board of

Directors

1. For the purpose of performing its functions the Board of Directors may establish permanent and/or temporary committees. The main permanent committees of the Board of Directors shall be the investments and strategic planning committee; the audit committee; the nominations and compensation.

If necessary, other committees and subcommittees may be established by a resolution of the Board of Directors.

2. Committees shall not be authorized to act on behalf of the Board of Directors.

3. Chairmen of all committees shall be elected by the Board of Directors.

If necessary, experts with required professional knowledge may be engaged to work on a specific committee.

Article 34. Provision for the Operation of Committees of the Board of Directors

1. For each committee the Board of Directors a Regulation shall be approved defining the objectives and tasks of the committee, its functions, the rights and duties of the committee members, the procedure for forming the committee, resolution adoption requirements, and rules of accountability of the committee to the Board of Directors.

2. The Company's executive body shall ensure that members of committees of the Board of

Directors have access to the Company's information (documents and materials).

3. For the purpose of providing for the operation of committees of the Board of Directors, the Company's budget or estimate may provide funding for the operation of each existing or newly created committee.

Article 35. Accountability of Committees of the Board of Directors

1. Each committee shall keep the Board of Directors informed of its activities by submitting reports on the committee's activities to the Board of Directors, in the form approved by the Board of Directors.

2. Each committee shall submit an annual report to the Board of Directors concerning the achievement of the committee's objectives.

Article 36. Investments and Strategic Planning Committee

1. The main task of the Investments and Strategic Planning Committee is preliminary knowledgeable review and analysis of, and making recommendations to the Board of Directors on, all issues relating to the Company's strategic planning and shaping of the Company's investments policy that would facilitate execution of the plans agreed.

2. The quantitative composition of the Investments and Strategic Planning Committee shall be determined by the relevant committee Regulation.

Article 37. Audit Committee of the Board of Directors

1. The Audit Committee of the Board of Directors shall ensure information disclosure by the Company and selection of candidates for the position of the Company's auditor for approval by its General Shareholders' Meeting established for preliminary consideration of the issues referred by the Company Charter to the competence of the Board of Directors, issues of cooperation with the legal entities controlled by the Company, other interested parties, as well as provides regulation of relations between the shareholders, Board of Directors and executive bodies of the Company, and takes part in .

the process of building an efficient corporate governance system in the Company that meets the international standards and promotes improvement of the governance efficiency to guarantee protection of the rights and interests of the shareholders and investors in order to increase the investment attractiveness of the Company's securities, assist the Board of Directors in its exercising control over the reliability of the Company financial reports, Company compliance with the legal and regulatory requirements, qualification and independence of the external auditor, as well as in order to ensure that the Company fulfills the functions of the internal and independent auditor.

2. The qualitative composition of the Audit Committee shall be determined by the relevant Committee Regulation. The Audit Committee of the Board of Directors shall be composed only of independent directors.

Article 38. Nominations and Compensation Committee

1. The main objective of the Nominations and Compensation Committee is preliminary review of and preparation of recommendations to the Board of Directors on all issues relating to development of highly qualified specialists to be elected as members of the Company's Board of

Directors, to be appointed as the Company's CEO, senior executives, managers of the Company's subsidiaries and affiliates, their performance evaluation, procedure and amounts of their remuneration, as well as recommendations on the main principles of the HR and remuneration policy.

2. The quantitative composition of the Nominations and Compensation Committee shall be determined by the relevant committee Regulation.

11. LIABILITY OF MEMBERS OF THE BOARD OF

DIRECTORS Article 39. Liability of Members of the Board of

Directors

Members of the Board of Directors shall be liable to the Company for losses caused by their culpable actions or omissions.

If the Company suffers losses as a result of nonperformance or improper performance by a member of the Board of Directors of the obligations provided for in the laws of the Russian Federation, the Company's Charter, this Regulation, other internal Company documents, or the contract between the member of the Board of Directors and the Company, such member shall be obligated to compensate the Company for the full amount of the Company's actual damages and lost profits.

In case of improper performance of obligations by a member of the Board of Directors the Company may take steps to terminate his/her powers and reduce or cancel his/her compensation.

Members of the Board of Directors who voted against a resolution that resulted in losses to the Company or did not participate in voting will not be liable to the Company.

12. MANAGEMENT SUCCESSION Article 40. Management Succession

The Board of Directors will work at planning management succession at the Company, the policy and principles of selection of the General Director and monitoring of duty discharge, and on the policy with regard to succession in case of unforeseen circumstances or the resignation of the General Director.