

**APPROVED BY**

Board of Directors of Mechel OAO  
Minutes dated December 18, 2006  
Chairman of the meeting

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**CODE  
OF CORPORATE GOVERNANCE**

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## **1. General provisions**

This Code is an internal document of Mechel OAO (hereinafter - the "Company"), defining the corporate governance principles, and it serves as guidelines for the Company officials when taking business resolutions.

The provisions of this Code are based on the Russian Code of Corporate Conduct approved by the Government of the Russian Federation, New York Stock Exchange /NYSE/ requirements to the corporate governance, NYSE 303A standard and the following internal documents of the Company:

- Articles of Association of Mechel OAO;
- Regulation on the Board of Directors;
- Regulation on the General Shareholders' Meeting;
- Regulation on the General Director;
- Regulation on the Board of Directors Audit Committee;
- Regulation on Business Conduct and Ethics;
- Regulation on Prohibition and Prevention of Trade based on the Proprietary Information.

## **2. Application area**

This regulation applies to all the Company employees.

## **3. Terms and definitions**

- Depository Bank means the entity recording the rights for American Depositary Receipts issued for the Company shares (ADR), registering transfer of title to ADR, distributing materials among the ADR owners, paying dividends, etc.
- Officials mean the persons, performing organizational and administrative or administrative and economic functions for the Company and contracted by it.
- Stakeholders mean the persons defined as such in accordance with the Federal Law of the Russian Federation On Joint-Stock Companies.
- Insider information means non-public material information that, if published, might have a significant impact on the Company securities market price change, or the information considered by the investor to be the most important in comparison with the general scope of information disclosed on the Company, including information on the Company activity, the Company securities and the Company securities trading and transactions.
- Confidential information means the information of official and commercial secret with no access to it on legal basis, and of actual or potential commercial value due to third parties being unfamiliar with it.
- Corporate governance means the set of principles, methods and standards used to maintain adequate balance between the shareholders' rights and the Company management and executive bodies.

- Corporate conflict means the dispute arising between the Company (the Company management) and its shareholders.
- Disclosure means provision of availability of the previously unpublished information, its list is provided for in the effective laws of the Russian Federation, for all the stakeholders in the scope required to make reasonable decision related to participation in the Company or performance of other actions that may have an impact on the Company financial and economic activity.
- Registrar means the entity being a professional participant of the securities market, keeping the register of the Company shareholders, registering the transition of the share ownership, distributing materials among the shareholders, paying dividends, etc.

#### **4. Basic principles of the Company corporate governance**

4.1. The Company ensures shareholders' rights to protection and registration of their Company shares ownership through register introduction and keeping by the Registrar, in possession of the modern technical equipment and control systems and having relevant business reputation at the securities market.

4.2. The Company ensures the rights of owners and ADR beneficial owners to protection and registration of their ownership right through services provision by one of the Depositary Banks with the appropriate license.

4.3. The Company ensures shareholders' rights as to participation in the Company by holding General Shareholders' Meetings, adhering to the following principles when organizing them:

- timely notification of shareholders of the General Shareholders' Meetings, indicating the General Shareholders' Meeting agenda, including the issues related to election of candidates for the Board of Directors and the Revision Commission membership, as well as other information provided for in the laws of the Russian Federation;
- preparation of materials (information) to be submitted to the persons entitled to participation in the General Meeting both in Russian and English and ensuring provision thereof to the shareholders in accordance with the requirements of the laws of the Russian Federation;
- distribution of information on the General Shareholders' Meeting through mass media, the Company web site in the Internet in accordance with the Company Articles of Association;
- selection of time and venue for the General Shareholders' Meeting so that the shareholders' participation in the meeting, as well as meeting preparation and holding for the Company would not entail unreasonable material and time costs;
- invitation of the Board of Directors members, the General Director, the Audit Committee and the Revision Commission members to participate in the General Shareholders' Meeting.

4.4. Other principles of the Company corporate governance include:

- strategic management of the Company activities and efficient control over the Company executive bodies activities by the Board of Directors;

- reporting of the Company Board of Directors members to the General Shareholders' Meeting;
- providing the Company executive body with the opportunity to manage the Company current activities in a reasonable and honest manner and also ensuring the reporting of the executive body to the Board of Directors and the General Shareholders' Meeting;
- maintaining efficiency of the Company internal control and audit system through establishment and efficient operation of the Revision Commission, the Audit Committee of the Board of Directors, the Internal Audit Service and use of independent auditors' services;
- ensuring the Company informational transparency, timely disclosure of complete and accurate information on the Company, including the information on its financial condition, economic indicators, ownership and management structure, material corporate events in the scopes provided for in the effective laws;
- active cooperation of the Company with investors, creditors and other stakeholders in order to increase the Company securities value as well as corporate and other Company ratings;
- compliance with all the effective laws and local regulations;
- compliance with the business conduct ethics provided for in the Regulation on Business Conduct and Ethics;
- efficient cooperation with the Company employees as to social issues settlement and providing the required working conditions;
- creating the conditions enabling every employee to develop and use his/her creativity, increase the level of his/her professional training;
- applying the neutrality principle towards financial and industrial groups, state authorities, political parties and organizations;
- focusing on satisfying the clients' needs in the best possible way, including needs as to the quality of services provided, the service level, therewith ensuring compliance of the services provided value with the current market conditions;
- the Board of Directors members and the company officials are obliged to disclose their financial interest in transactions or issues, having an impact on the Company interests.

4.5. The Company expects all its shareholders to act in a responsible manner as regards:

- refusal to disclose and use the insider information *intuitu personae*, or in interests of third parties;
- refusal to influence the Board of Directors and the Company officials to achieve their own goals at the expense of other shareholders;
- acknowledgement of their ownership of the Company shares and information disclosure as to the affiliated entities;
- election of the Company Board of Directors in accordance with the effective laws, standards and requirements.

## **5. Requirements to the Company informational transparency**

5.1. Information disclosure is an important part of the Company corporate governance, for it enables shareholders, investors and other stakeholders to get a fair idea as to the Company activity results, its plans and the development directions.

5.2. The Company shall comply with all the terms and conditions as to information disclosure, provided for in the effective laws. The Company information is available for the shareholders on the Company website ([www.mechel.ru](http://www.mechel.ru), [www.mechel.com](http://www.mechel.com))

5.3. The Company information disclosure is characterized by maintaining reasonable balance between the Company informational transparency and ensuring safety of the Company commercial interests.

5.4. The Company Board of Directors defines the composition and scope of the information, constituting the commercial and official secret. Ensuring maintenance of the confidential information falls within the responsibility of all the Company employees and the Board of Directors members.

5.5. The Company is committed to limit possible causes for the conflicts of interests and prohibit abuse of the insider information. Requirements on insider information are provided for in the Company Regulation on Business Conduct and Ethics, Regulation on Prohibition and Prevention of Trade based on the Insider Information, approved by the Company Board of Directors.

5.6. The Company implements the set of activities, aimed at increasing the Company transparency, including:

- meetings and presentations for investors and analysts;
- road show and "face-to-face" meetings with the investors;
- conference-calls;
- distribution of press releases;
- publication in professional mass media.

5.7. In order to ensure maximum objectivity and accuracy of the financial and accounting information, the Company engages independent and qualified auditor in annual verification and confirmation of the yearly financial and accounting statements. The candidate to perform the role of the independent auditor is recommended by the Audit Committee of the Company Board of Directors and is elected at the General Shareholders' Meeting.

## **6. Requirements to the dividends payment procedure**

6.1. The amount of dividends and the procedure of payment thereof are defined by the General Shareholders' Meeting.

6.2. The amount of dividends and the procedure of payment thereof for shares of each category (type) is defined by the General Shareholders' Meeting. The amount of annual dividends cannot exceed that recommended by the Company Board of Directors.

6.3. The dividends declared by the Company, are paid in money.

6.4. The dividends are paid within the terms, defined by the Company Articles of Association, and according to the resolutions of the General Shareholders' Meeting or within a shorter term.

## **7. Requirement to the corporate conflicts settlement**

7.1. The Company acknowledges dependence of its efficient operation on preventing the corporate conflicts in a timely manner.

7.2. With reference to the corporate conflicts, the Company adheres to the principle of prevention at the earliest possible stages of occurrence thereof and treating them carefully.

7.3. In case a corporate conflict arises, the Company takes the stance based on the provisions of the laws of the Russian Federation.

7.4. In case a corporate conflict arises, the Company Board of Directors establishes a Temporary Committee for the corporate conflicts settlement in order to settle this conflict and it bears responsibility for reviewing this dispute.

7.5. Members of the Temporary Committee for the corporate conflicts settlement are entitled to:

- participate in negotiations among the shareholders;
- explain the standards of the company laws and the provisions of the Company internal documents;
- prepare draft documents on the conflicts settlement for shareholders to sign them;

7.6. In case they fail to settle the corporate conflict through negotiations, the dispute shall be settled in court.

## **8. Introduction of amendments**

Amendments to this Code are approved by the Company Board of Directors.

## **9. Final provisions**

9.1. If the standards of this Code contradict those of the Company Articles of Association, priority shall be given to the provisions of the Articles of Association.

9.2. If the standards of this Code contradict the requirements of the effective laws of the Russian Federation, standards of the effective laws shall be applied.

9.3. If special clauses of this Regulation are found invalid, it does not entail finding other clauses of this Regulation invalid.