

**Brief description of the most significant  
aspects of the model and practice of corporate governance as of 31.12.2015**

No.	Principle (principles) of corporate governance or a key criterion (recommendation)	Explanation of key reasons, factors and circumstances causing failure to comply or partial compliance with the principle or a key criteria, description of used alternative mechanisms and tools for corporate governance	Brief description or the part where the principle or a key criterion is not complied with
1	2	3	4
<b>I. Shareholders' rights and equal conditions for shareholders to exercise their rights</b>			
1.1.	The Company shall ensure equal and fair treatment of all shareholders as regards their implementation of the right to participate in the company management. The system and practice of corporate governance shall ensure equal conditions for all shareholders owning shares of similar category (type), including minority (minor) shareholders and foreign shareholders and their equal treatment by the company		
1.1.1.	<p>The company has approved the internal document determining main procedures for preparing, convening and holding the General Shareholders' Meeting, complying with the recommendations of the Corporate Governance Code, including the company's obligation to:</p> <ul style="list-style-type: none"> <li>inform shareholders on the General Shareholders' Meeting and provide access to materials, including publication of the notification and materials on the company web-site no less than 30 days before its holding (unless a longer term provided for in the laws of the Russian Federation;</li> <li>disclose the information on the date of compiling the list of persons entitled to participate in the General Shareholders' Meeting no less than 7 days before this date;</li> <li>provide the additional information and materials regarding the agenda for the General Shareholders' Meeting in accordance with the recommendations of the Corporate Governance Code</li> </ul>	<p>The company has approved the Regulation on the General Shareholders' Meeting (Minutes No.1 of the Annual General Shareholders' Meeting dated 30.06.2014) determining the main procedures for preparing, convening and holding the General Shareholders' Meeting, including:</p> <ul style="list-style-type: none"> <li>- The notification of the General Shareholders' Meeting shall be issued at least 30 days in advance (<i>Article 20 of the Regulation</i>) - The information (materials) is (are) available for familiarization within 20 days, and if the General Shareholders' Meeting with the agenda including the issue on the Company reorganization, is to be held, they shall be available within 30 days before holding the General Shareholders' Meeting (<i>Article 23 of the Regulation</i>) The information (materials) is (are) as well available for familiarization on the Company web site: <a href="http://mechel.com">http://mechel.com</a></li> </ul>	<p>The principles of corporate governance set forth in cl. 1.1.1 are actually complied with by the Company.</p> <p>However, some of them are not enshrined in the Company's internal regulations. In particular, the Regulation on the General Shareholders' meeting does not set forth the following provisions:</p> <p>"The meeting notification and materials shall be published on the Company web site. The Company shall disclose the information on the date of compiling the list of persons entitled to participate in the General Shareholders' Meeting no less than 7 days before this date. The additional information and materials on the agenda shall be provided to the shareholders».</p>

		<p>The meeting notification and materials shall be published on the Company web site.</p> <p>The Company shall disclose the information on the date of compiling the list of persons entitled to participate in the General Shareholders' Meeting no less than 7 days before this date.</p> <p>The additional information and materials on the agenda shall be provided to the shareholders.</p>	
1.1.2.	<p>The Company assumed the obligations to allow the shareholders to ask questions regarding the company activities to the members of the management and control bodies, members of the audit committee, chief accountant, company auditors, as well as candidates for management and control bodies during preparation and when holding the General Shareholders' Meeting. The foregoing obligations are enshrined in the Articles of Association or internal documents of the company</p>	<p>The Company shareholders have opportunities to ask questions regarding the company activities to the members of the management and control bodies, members of the audit committee, chief accountant, company auditors, as well as candidates for management and control bodies during preparation and when holding the General Shareholders' Meeting.</p> <p>During the meeting, it is possible to ask questions personally or through the General Director. The Company makes every effort to ensure that the members of the Board of Directors, sole executive body, members of the audit committee and other bodies of the Company attend the General Shareholders' Meeting. They are obliged to answer the questions of the meeting participants in a qualified manner. <i>(This obligation is enshrined in cl.2. of Article 24 of the Regulation on the General Meeting)</i></p> <p>When preparing for the meeting, it is possible to ask questions by mails, electronic messages, phone. The Company web-site provides for feedback for shareholders for them to ask questions - press-center of Mechel OAO <a href="http://www.mechel.ru/press/">http://www.mechel.ru/press/</a></p>	<p>The principles of corporate governance set forth in cl. 1.1.2 <u>are actually complied with by the Company and enshrined in the Company's internal documents, except for</u> the possibility to ask questions not only directly at the meeting but in the course of preparation for it.</p>
1.1.3.	<p>The Company assumed the obligations to abide by the principle of zero tolerance to actions resulting in artificial re-allocation of corporate control (for</p>	<p>Notwithstanding the fact that the principles specified are not set forth in the Company internal documents the Company proceeds</p>	<p>The principles of corporate governance set forth in cl. 1.1.3 are actually complied with by the Company. However, the foregoing obligations are</p>

	example, voting with quasi-treasury shares, adoption of the resolution to pay dividends on preferred shares in the conditions of restricted financial capabilities, adoption of the resolution not to pay the dividends on preferred shares, set forth in the company Articles of Association, with sufficient sources for their payment). The foregoing obligations are enshrined in the Articles of Association or internal documents of the company	from the fact that it is not admissible to vote quasi-treasury shares at the Company General Shareholders' meeting.	enshrined in the Articles of Association or internal documents of the company.
1.1.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
1.2	The shareholders shall be provided with an equal and fair opportunity to participate in the company revenue by receiving dividends		
1.2.1.	The Company has approved the internal document determining the company's dividend policy complying with the recommendations of the Corporate Governance Code and setting forth, without limitation, the following: procedure for determining the part of net profit (for the companies compiling consolidated financial statements - a minimum part (share) of consolidated net profit) allocated for dividends payment, the conditions, when complied with, the dividends are declared; minimum amount of dividends on the company shares of various categories (types); the obligation to disclose the document determining the company's dividend policy on the Company's web site	The Company does not have an internal document determining the Company's dividend policy. However, the Company's Articles of Association determines the following (Article 13): - procedure for determining the part of net profit allocated for payment of dividends and conditions for declaration of dividends; - minimum amount of dividends on the company shares of various categories (types); Pursuant to the effective laws, the Company's Articles of Association, containing the information on the Company's dividend policy, is published on the Company's official web-site in the Internet	The principles of corporate governance set forth in cl. 1.2.1 are actually complied with by the Company and enshrined in the Company Articles of Association.
1.2.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
<b>II. Company Board of Directors</b>			
2.1	The Company Board of Directors determines the main strategic focuses of the Company's activities for a long term, key performance indicators of the Company, performs strategic management of the Company, determines main principles and approaches towards organization of the risk management and internal control system in the company, controls activities of the Company's executive bodies, determines the company's policy for remuneration of the Board of Directors and executive bodies members and also implements other key functions		
2.1.1.	The Company has formed the Board of Directors,	The Company has formed the Board of	The principle of corporate governance is complied

	<p>that:</p> <ul style="list-style-type: none"> <li>determines main strategic guidelines of the Company's activities for a long term, key performance indicators of the Company;</li> <li>controls activities of the Company's executive bodies;</li> <li>determines principles and approaches towards organization of risk management and internal control in the company;</li> <li>determines the company's policy for remuneration of the Board of Directors and executive bodies members and other key managers of the Company</li> </ul>	<p>Directors, that:</p> <ul style="list-style-type: none"> <li>- determines main strategic guidelines of the Company's activities for a long term, key performance indicators of the Company (<i>Article 18.1. of the Articles of Association</i>);</li> <li>- controls activities of the Company's executive bodies (<i>Article 19.2. of the Articles of Association</i>);</li> <li>- determines principles and approaches towards organization of risk management and internal control in the company (<i>Article 18.3.32 of the Articles of Association</i>);</li> <li>- determines the company's policy for remuneration of the Board of Directors members (<i>at the level of the Board of Directors Committee for Appointments and Remunerations, whose function is to determine the criteria for selecting candidates for the Board of Directors members and to elaborate the joint stock company remuneration policy</i>), executive body members <i>Article 18.3.15 of the Articles of Association</i> and other key managers of the Company (<i>cl.3.1.3. of the Regulation on the Committee for Appointments and Remunerations of the Board of Directors</i>)</li> </ul>	with in full
2.1.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
2.2.	The Board of Directors shall be an efficient and professional management body of the Company capable of making objective independent judgments and adopting resolutions corresponding to the interests of the Company and its shareholders. The Chairman of the Board of Directors shall facilitate the most efficient implementation of the functions imposed on the Board of Directors. The meetings of the Board of Directors, preparation for these meetings and participation of the Board of Directors members in the same shall ensure efficient functioning of the Board of Directors		
2.2.1.	The Chairman of the Board of Directors is an independent director or a senior independent director determined among selected independent directors, coordinating the activities of independent directors and cooperating with the Chairman of the Board of Directors	The Chairman of the Board of Directors is the member of the Board of Directors who is not an independent director.	The principle of corporate governance is not complied with.
2.2.2.	The Company's internal documents enshrine the	The procedure for preparing and holding the	The principles of corporate governance set forth in

	<p>procedure for preparing and holding the meetings of the Board of Directors ensuring that the members of the Board of Directors are able to duly prepare for their holding, and providing, in particular, for the following:</p> <ul style="list-style-type: none"> <li>the terms for notifying the members of the Board of Directors of the forthcoming meeting;</li> <li>the terms for sending documents (bulletins) for voting and obtaining completed documents (bulletins) when holding absentee meetings;</li> <li>the possibility to send and keep the records of a written opinion on the agenda issues for the members of the Board of Directors absent from the in praesentia meeting;</li> <li>the possibility to discuss and vote by means of conference communication and video-conference communication</li> </ul>	<p>meetings of the Board of Directors is enshrined in the Regulation on the Company Board of Directors (<i>approved by Minutes of the Annual General Shareholders' Meeting No. 1 dated June 09, 2011</i>) and allows the members of the Board of Directors to duly prepare for their holding, in particular:</p> <ul style="list-style-type: none"> <li>the terms for notifying the members of the Board of Directors of the forthcoming meeting (<i>Article 17, 18 of the Regulation on the BoD</i>);</li> <li>the terms for sending documents (bulletins) for voting and obtaining completed documents (bulletins) when holding absentee meetings (<i>Article 27, 28 of the Regulation on the BoD</i>);</li> <li>the possibility to send and keep the records of a written opinion on the agenda issues for the members of the Board of Directors absent from the in praesentia meeting (<i>Article 23 of the Regulation on the BoD</i>);</li> </ul>	<p>cl. 2.2.2 <u>are actually complied with by the Company and most of them are enshrined in the Company's internal documents (the Regulation on the Board of Directors).</u></p> <p>The possibility of the Company Board of Directors members to discuss and vote on the meeting agenda issues by means of conference communication and (or) video-conference communication is not set forth in the Regulation on the Company Board of Directors.</p>
2.2.3.	<p>The most important issues are solved at the Board of Directors meetings held in praesentia. The list of these issues corresponds to the recommendations of the Corporate Governance Code<sup>1</sup></p>	<p>The list of the most important issues to be considered only at the meeting of the BoD held in praesentia is enshrined in Art. 27 of the Regulation on the BoD.</p>	<p>The principle of corporate governance is complied with partially.</p> <p>The list enshrined in the Corporate Governance Code is wider than the list enshrined by the Company.</p>
2.2.4.	<p>Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance</p>	-	-
2.3.	<p>The Board of Directors shall include an adequate number of independent directors</p>		
2.3.1.	<p>Independent directors constitute at least one third of the elected Board of Directors members</p>	<p>Independent directors constitute at least one third of the elected Board of Directors members (Article 18.2. of the Company's Articles of Association, Minutes of the Board of Directors meeting dated 01.07.2014).</p>	<p>The principle of corporate governance is complied with in full</p>

<sup>1</sup> It is specified in clause 168, part B of the Corporate Governance Code

2.3.2.	Independent Directors fully comply with the independence criteria recommended by the Corporate Governance Code	One of the independent members of the Board of Directors does not comply in full with the criteria set forth in cl. 104 of the Code of Corporate behavior as he holds the position of the Board of Directors member for over 7 years. Other Independent Directors comply with the independence criteria recommended by the Corporate Governance Code	The principle of corporate governance is complied with partially. This decision of the Company Board of Directors member of the Board of Directors declared an independent, given that his approach to his duties clearly shows the independence of opinions and judgments; - It requires the management response to the difficult, critical questions raised and request additional information when they need it
2.3.3.	The Board of Directors (committee for nominations (staff, appointments)) assesses compliance of the candidates for the Board of Directors members with independence criteria	The Board of Directors (committee for nominations (staff, appointments)) assesses compliance of the candidates for the Board of Directors members with independence criteria (Article 3 of the Regulation on the Committee for Appointments and Remunerations)	The principle of corporate governance is complied with in full
2.3.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
2.4.	The Board of Directors shall establish committees for preliminary consideration of the most important issues associated with the Company's activities		
2.4.1.	The Company Board of Directors established the audit committee comprising independent directors, and its functions are enshrined in the internal documents and meet the recommendations of the Corporate Governance Code <sup>2</sup>	- The Company Board of Directors established the audit committee comprising three independent directors (Minutes of the Board of Directors dated 01.07.2014) - The functions of the audit committee are enshrined in the Audit Regulation of the Board of Directors and meet the recommendations of the Corporate Governance Code	The principle of corporate governance is complied with partially. List of functions of the Audit Committee set forth in the Code of Corporate Governance is wider that the list set forth in the Regulation "On the Audit Committee of the Board of Directors".
2.4.2.	The Company Board of Directors established the remuneration committee (it can be combined with the committee for nominations (staff, appointments)), comprising independent directors, and its functions meet the recommendations of the Corporate Governance Code <sup>3</sup>	The Company Board of Directors established the committee for appointments and remunerations comprising 4 independent directors ( <i>Minutes of the Board of Directors dated 01.07.2014</i> ) The functions of the committee are enshrined in the Appointments and Remunerations	The principle of corporate governance is complied with partially. List of functions of the Remunerations Committee set forth in the Code of Corporate Governance is wider that the list set forth in the Regulation "On the Appointments and Remunerations Committee of the Board of Directors".

<sup>2</sup> Specified in clause 172, part B of the Corporate Governance Code

<sup>3</sup> Specified in clause 180, part B of the Corporate Governance Code

		Regulation of the Board of Directors and meet the recommendations of the Corporate Governance Code.	
2.4.3.	The Company Board of Directors established the nominations committee (staff, appointments) (it can be combined with the committee for remunerations), where the majority of members are independent directors, and its functions meet the recommendations of the Corporate Governance Code <sup>4</sup>	Combined with the remunerations committee	The principle of corporate governance is complied with partially. List of tasks of the Appointments( Nominations) Committee set forth in the Code of Corporate behavior is wider than the list set forth in the Regulation "On the Appointments and Remunerations Committee of the Board of Directors".
2.4.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
2.5.	The Board of Directors shall ensure that the quality of work performed by the Board of Directors, its committees and members of the Board of Directors is assessed		
2.5.1.	Quality of the work performed by the Board of Directors is assessed on a regular basis at least once a year, and this assessment shall be performed with involvement of an external company (adviser) at least once in three years	The Board of Directors shall annually assess its work and the work of its committees, take into account the results of this assessment when issuing recommendations to the shareholders on membership in the Board of Directors and to the Board of Directors regarding membership in the Board of Directors committees ( <i>Article 5 of the Regulation on the Board of Directors</i> ).	The principles of corporate governance set forth in cl. 2.5.1 <u>are actually complied with by the Company</u> and enshrined in the Company's internal regulations (the Regulation on the Board of Directors), except for engaging once in three years of the external company (adviser) to assess quality of the Board of Directors' work.
2.5.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
<b>III. Company Corporate Secretary</b>			
3.1	Efficient current cooperation with the shareholders, coordination of the company's activities associated with protection of the shareholders' rights and interests, support of the Board of Directors efficient operation is ensured by the Corporate Secretary (special organizational unit headed by the Corporate Secretary)		
3.1.1.	The Corporate Secretary reports to the Board of Directors, he/she is appointed or dismissed following	Appointment (election) of the Company Corporate Secretary is not established in the	The principle of corporate governance is complied with partially.

<sup>4</sup> Specified in clause 186, part B of the Corporate Governance Code

	the resolution or upon agreement with the Board of Directors	Company	The Company assigns the tasks to ensure compliance with requirements guaranteeing exercise of the shareholders' rights and legitimate interests, by bodies and officials, to a special organizational unit - Corporate Governance Group of the Department of Corporate Relations and Property.
3.1.2.	The Company has approved the internal document determining the rights and obligations of the Corporate Secretary (the Regulation on Corporate Secretary), and its contents meet the recommendations of the Corporate Governance Code <sup>5</sup>	The Company has not approved the internal document providing for the rights and obligations of the Corporate Secretary. Functions of the Corporate Secretary are set forth in the Regulation on the Company Corporate Governance.	The principle of corporate governance is complied with partially. The Company assigns the tasks to ensure compliance with requirements guaranteeing exercise of the shareholders' rights and legitimate interests, by bodies and officials, to a special organizational unit - Corporate Governance Group of the Department of Corporate Relations and Property.
3.1.3.	The Corporate Secretary occupies the position not overlapping performance of other functions in the Company. The Corporate Secretary is assigned with the functions in accordance with the recommendations of the Corporate Governance Code. <sup>6</sup> The Corporate Secretary has enough resources to implement his/her functions	Appointment (election) of the Company Corporate Secretary is not established in the Company	-
3.1.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
<b>IV. The remuneration system for the Board of Directors and executive bodies members, and other key managers of the Company</b>			
4.1.	The level of remuneration payable by the company shall be sufficient for involvement, motivation and retention of the persons having the competence and qualification required by the company. Remuneration to the members of the Board of Directors, executive bodies and other key managers of the company shall be paid in accordance with the remuneration policy adopted in the Company		
4.1.1.	The company regulates all payments, benefits and privileges provided to the members of the Board of Directors, executive bodies and other key managers of the Company	The Company pays remuneration to the members of the Board of Directors of Mechel OAO and compensates expenses related to performance of functions of the Board of Directors members subject to compliance with the decision of the Company General Shareholders' meeting.	The principle of corporate governance is complied with in full.

<sup>5</sup> Specified in clause 217, part B of the Corporate Governance Code

<sup>6</sup> Specified in clause 218, part B of the Corporate Governance Code



		Payments to other managers are effected within employment relations.	
4.1.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
4.2.	The system of remuneration to the members of the Board of Directors shall ensure convergence of the Directors' financial interests and long-term financial interests of shareholders		
4.2.1.	The Company does not use other forms of monetary remuneration to the members of the Board of Directors apart from fixed annual remuneration		The principle of corporate governance is complied with in full. The Company pays remuneration to the Board of Directors members on the basis of the annual remuneration.
4.2.2.	The Company does not provide the members of the Board of Directors with the possibility to participate in optional programs, and the right to sell the shares of the Company owned by the same is not conditional on achievement of certain performance indicators	The Company internal documents do not provide for the possibility for the Board of Directors members to participate in the option programs, and the right to sell the Company shares owned by them is not conditioned by certain performance indicators achievement.	The principle of corporate governance is complied with in full.
4.2.3.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
4.3.	The system for remunerating the executive bodies and other key managers of the Company shall provide for dependence of remuneration on the result of the Company performance and their personal contribution to this result achievement		
4.3.1.	The Company has implemented the program of long term incentives for executive bodies and other key managers of the Company	The Company employs the program of bonus payment providing for dependence of remuneration on performance result and personal contribution to achieving this result.	The principle of corporate governance is complied with.
4.3.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
<b>V. Risk management and internal control system</b>			
5.1.	The Company shall establish an efficiently functioning system of risk management and internal control aimed at ensuring reasonable confidence in achieving the objectives set for the Company		
5.1.1.	The Board of Directors determines principles and approaches towards organization of the risk management and internal control system in the Company	Principles and approaches towards organization of the risk management and internal control in the Company are determined by the Board of Directors and set forth in the	The principle of corporate governance is complied with in full.

		Regulation on the Audit Committee of the Board of Directors, Regulation on internal control over financial and business activities of the Company (approved by the Board of Directors on 19.08.2013)	
5.1.2.	The Company has established a separate organizational unit for risk management and internal control	A separate organizational unit for risk management and internal control – the Internal Audit Control Division - has been established and is now operating in the Company	The principle of corporate governance is complied with in full.
5.1.3.	The Company has developed and implemented the Company Corruption Control Policy determining the measures aimed at forming the elements of corporate culture, organizational structure, rules and procedures ensuring corruption prevention	The Company employs a number of internal regulations enshrining the corruption control policy, determining the measures aimed at forming the elements of corporate culture, organizational structure, rules and procedures ensuring corruption prevention, including: - Regulation on Business Conduct; - Regulation on Prohibition and Prevention of Trade on the Basis of the Proprietary Information;  - Regulation on Insider Information;	The principle of corporate governance is complied with in full.
5.1.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
5.2.	Internal audit performance shall be organized for systematic independent assessment of the risks management and internal control system reliability and efficiency and the Company corporate governance practice		
5.2.1.	The Company has established a separate organizational unit performing the functions of internal audit functionally reporting to the Company Board of Directors. The functions of the foregoing unit correspond to the recommendations of the Corporate Governance Code, and these functions include, in particular: assessment of the internal control system effectiveness; assessment of the risk management system effectiveness; assessment of corporate governance (if there is no	The Company has established a separate organizational unit performing the functions of internal audit functionally reporting to the Company Board of Directors ( <i>the Regulation on Internal Audit Control Division in Mechel OAO, approved in 2010</i> )  Functions to assess efficiency of the internal control system and risks management system are assigned to the Audit Committee of the Board of Directors ( <i>cl.3.1.4, cl.3.1.6. of the Regulation on the Audit Committee of the</i>	The principle of corporate governance is complied with partially. Functions set forth in cl. 5.2.1 are assigned to the special-purpose committees of the Board of Directors.

	corporate governance committee)	<i>Board of Directors</i> );  Functions to assess corporate governance efficiency are assigned to the Remunerations and Appointments Committee ( <i>cl. 3.1.5 of the Regulation on the Committee for Appointments and Remunerations of the Board of Directors</i> );	
5.2.2.	The Head of the Internal Audit Unit reports to the Company Board of Directors, he/she is appointed and dismissed following the resolution of the Company Board of Directors	The Head of the Internal Audit Division (Department Director) <u>functionally reports to the Company Board of Directors</u> , and administratively to the Company General Director to ensure independence and objectiveness ( <i>cl.3.1.2 of the Regulation on the Internal Control and Audit Department</i> )  The Audit Committee of the Board of Directors approves the nominee for the Department Director, the labour contract conditions, and also determines the authorities of the Department Director.	The principle of corporate governance is complied with in full.
5.2.3.	The Company has approved the internal audit policy (the Regulation on Internal Audit) determining objectives, tasks and functions of internal audit	The Company has approved the internal audit policy ( <i>the Regulation on Internal Audit Control Division in Mechel OAO, approved in 2010 Regulation on internal control over financial and business activities of the Company, approved by the Board of Directors on 19.08.2013</i> ), determining objectives, tasks and functions of internal audit.	The principle of corporate governance is complied with.
5.2.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
<b>VI. Disclosure of the Company information, the Company's information policy</b>			
6.1.	The Company and its activities shall be transparent for shareholders, investors and other stakeholders		
6.1.1.	The Company has approved the internal	The Company has approved the internal	The principle of corporate governance is complied

	<p>document determining the Company's information policy complying with the recommendations of the Corporate Governance Code. The Company's information policy includes the following methods of interaction with investors and other stakeholders:</p> <ul style="list-style-type: none"> <li>organization of a special Company web site for publishing answers to typical questions of shareholders and investors, regularly updated calendar of the Company's corporate events, as well as other information useful for shareholders and investors;</li> <li>holding of regular meetings of the executive bodies members and other key managers of the Company with analysts;</li> <li>holding of regular presentations (including in the form of teleconferences, web-casts) and meetings involving the members of management bodies and other key managers of the Company, including those accompanying publication of the Company's accounting (financial) statements, or associated with main investment projects and plans of the Company strategic development</li> </ul>	<p>document – <i>Regulation on Information Policy of Mechel OAO (approved by the Board of Directors on 05.02.2009)</i>, determining the Company's information policy meeting the recommendations of the Corporate Governance Code. The Company's information policy includes the following methods of interaction with investors and other stakeholders:</p> <p>The Company has a special web page <a href="http://www.mechel.ru/shareholders/">http://www.mechel.ru/shareholders/</a>, for publishing answers to typical questions of shareholders and investors, regularly updated calendar of the Company's corporate events, as well as other information useful for shareholders and investors;</p> <p>Whenever required, the Company arranges conference calls, press conferences, presentations dealing with important events taking place or will take place in the Company, holds meetings with shareholders (<i>cl.8.2. of the Regulation on Information Policy</i>)</p>	with in full
6.1.2.	The Company implements the information policy through the Company's executive bodies. The Company Board of Directors controls due disclosure of the information and compliance with the information policy	The Company implements the information policy through the Company's executive bodies. The Company Board of Directors controls due disclosure of the information and compliance with the information policy ( <i>cl.1.5, Article 11 of the Regulation on Information Policy</i> )	The principle of corporate governance is complied with in full
6.1.3.	The Company has established the procedures ensuring coordination of the work performed by all services and organizational units of the Company associated with disclosure of the information or whose activities may result in the necessity to disclose the information	A number of the General Director Orders ( <i>Ип/М/009 dated 23.03.2015, Ип/М/019 dated 17.07.2014</i> ) ensures coordination of all services and organizational units in the Company associated with information disclosure, including enshrining the list of information to be disclosed, list of controlled companies significant for information	The principle of corporate governance is complied with in full

		disclosure, terms and procedure of disclosure, list of responsible units and persons, as well as measures of accountability and control over information disclosure.	
6.1.4.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
6.2.	The Company shall timely disclose complete, updated and reliable Company information to allow reasonable decisions to be taken by the Company shareholders and investors		
6.2.1.	If there is a significant share of foreign investors in the capital, the Company shall ensure that the information in Russian is disclosed in parallel with the most significant information on the Company (including notifications of the General Shareholders' Meeting, annual report of the Company) in the foreign language generally accepted at the financial market	The Company shall ensure that the information in Russian is disclosed in parallel with the most significant information on the Company (including notifications of the General Shareholders' Meeting, annual report of the Company) in a foreign language ( <i>cl. 2 of the Regulation on the Company Information Policy</i> )	The principle of corporate governance is complied with in full
6.2.2.	The Company ensures disclosure of both the internal information, and the information about legal entities under its control significant for the Company	As part of quarterly reports of the Issuer, subject to the Regulation on information disclosure by securities issuers the Company discloses information not only about itself but about legal entities controlled by it that are of substantial significance for it.	The principle of corporate governance is complied with in full
6.2.3.	The Company shall disclose annual and interim (semi-annual) consolidated or individual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). Annual consolidated or individual financial statements shall be disclosed along with the auditor's opinion, while interim (semi-annual) consolidated or individual financial statements - along with the report on the results of assessment audit review or auditor's opinion	Subject to the Regulation on Information Disclosure by Securities issuers the Company discloses information specified in full and within the terms established, except for the Survey report of the auditor for 6 months in 2014	The principle of corporate governance is complied with partially.
6.2.4.	The Company has disclosed a special memo containing plans in relation to the company of the entity controlling the company. The foregoing memo	The Company does not have a special memo containing plans in relation to the company of the entity controlling the company.	Plans in relation to the company of the entity controlling the company can be formed and approved by the Board of Directors within

	is drawn up in accordance with the recommendations of the Corporate Governance Code <sup>7</sup>		determination of the general Company development strategy as an alternative mechanism of compliance with the above mentioned corporate governance principle.
6.2.5.	The Company ensures disclosure of such information about biographical data of the Board of Directors members, including the information on whether they are Independent Directors, as well as prompt disclosure of the information regarding loss of the Independent Director status by a member of the Board of Directors	The Company ensures disclosure of such information about biographical data of the Board of Directors members on the Company web site (cl. 9.3.of the Regulation on the Company Information Policy). Such information is also disclosed every quarter within disclosure of the Quarterly Reports of the equity securities issuer, as well as within the Company's Annual Report at year end.	The principle of corporate governance is complied with in full
6.2.6.	<p>The Company discloses the information on the capital structure in accordance with the recommendations of the Corporate Governance Code</p> <p>290. It is recommended that the Company disclose the following additional information on the capital structure:</p> <p>1) information on the number of the company shareholders;</p> <p>2) information on the number of voting shares broken down by categories (types) of shares, as well as on the number of shares at disposal of the Company and legal entities controlled by the same;</p> <p>3) information on the persons owning shares directly or indirectly and (or) disposing of the share votes, and (or) being beneficiaries of the Company shares constituting five and more percent of the Company authorized capital or ordinary shares;</p> <p>4) statement of the Company executive bodies that the Company has no information that there are share ownership ratios exceeding five percent in addition to the ones already disclosed by the Company;</p>	<p>As part of quarterly reports of the Issuer and in the form of announcement on significant facts, subject to the Regulation on Information Disclosure by Securities issuers the Company discloses information:</p> <p>1) information on the number of the company shareholders;</p> <p>2) information on the number of voting shares broken down by categories (types) of shares, as well as on the number of shares at disposal of the Company and legal entities controlled by the same;</p> <p>3) information on the persons owning shares directly or indirectly and (or) disposing of the share votes, and (or) being beneficiaries of the Company shares constituting five and more percent of the Company authorized capital or ordinary shares;</p> <p>Clause 4. and 5 are not disclosed by the Company due to the fact that the factors specified are missing.</p>	The principle of corporate governance is complied with in full.

<sup>7</sup> Specified in clause 279, part B of the Corporate Governance Code

	<p>5) information about the possibility of acquisition or acquisition by certain shareholders of the extent of control disproportionate to their shareholding in the company, including on the basis of shareholder agreements or due to availability of ordinary and preferred shares with different par value.</p>		
6.2.7.	<p>The Company's annual report contains additional information recommended by the Corporate Governance Code:</p> <ul style="list-style-type: none"> <li>brief review of the most significant transactions, including related transactions, consummated by the Company and legal entities controlled by the same over the last year;</li> <li>report on the work of the Board of Directors (including Committees of the Board of Directors) for the year, that contains inter alia, data on the number of meetings in praesentia (absentia), on participation of each member of the Board of Directors in the meetings, description of the most significant issues and the most difficult problems reviewed at the meetings of the Board of Directors and committees of the Board of Directors, main recommendations issued by committees to the Board of Directors;</li> <li>information on direct or indirect ownership of the Company shares by the members of the Board of Directors and the Company executive bodies;</li> <li>information on whether there is any conflict of interests among the members of the Board of Directors and executive bodies (including the conflict of interests associated with participation of the foregoing persons in the management bodies of the Company's competitors);</li> <li>description of the remuneration system for the members of the Board of Directors, including the amount of the individual year-end remuneration per each member of the Board of Directors (broken</li> </ul>	<p>The Company's annual report contains additional information recommended by the Corporate Governance Code:</p> <ul style="list-style-type: none"> <li>- brief review of the most significant transactions, including related transactions, consummated by the Company and legal entities controlled by the same over the last year – <i>are specified in the List of Transactions Consummated by the Company in the Reporting Year recognized as major transactions and (or) related-party transactions in accordance with the Federal Law On Joint Stock Companies;</i></li> <li>- the report on the work performed by the Board of Directors contained in Section 4 of the Annual Report contains the information on the number of meetings and description of the most significant and difficult problems reviewed at the Board of Director meetings over a year. The Company does not assess participation of each BoD member in the meetings, but confirms that issues were considered by permanent committees of the Board of Directors to adopt resolutions of the Board of Directors;</li> <li>- information on direct or indirect ownership of the Company shares by the members of the Board of Directors and the Company executive bodies - are specified in Section 9 of the Annual Report;</li> </ul>	<p>The principle of corporate governance is complied with partially, within the Regulation on Information Disclosure by Securities issuers.</p>

	<p>down by basic, additional remuneration for chairmanship in the Board of Directors, for chairmanship (membership) in committees at the Board of Directors, the scope of participation in a long-term incentive program, the scope of participation of each Board of Directors member in the option program, if any), compensation for the expenses associated with participation in the Board of Directors, as well as the Company's expenses for liability insurance of Directors as members of management bodies;</p> <p>information about total year-end remuneration:</p> <p>a) for the group of at least five highest-paid members of executive bodies and other key managers of the Company broken down by each type of remuneration;</p> <p>b) for all members of executive bodies and other key managers of the Company, the Company's remuneration policy is applied to, broken down by each type of remuneration;</p> <p>information on the annual remuneration of the sole executive body received or to be received by the same from the Company (legal entity from the group of companies including the Company) broken down by each type of remuneration, both for performance of the sole executive body obligations and for other reasons</p>	<p>the amount of the individual year-end remuneration per each member of the Board of Directors is not recorded in the annual report.</p> <p>The Company relies upon the Regulation on Information Disclosure by Securities Issuers and discloses the total amount of remuneration per each management body of the Company.</p> <p>- information about total year-end remuneration:</p> <p>a) for the group of at least five highest-paid members of executive bodies and other key managers of the Company broken down by each type of remuneration; -</p> <p><i>The cumulative remuneration recorded in the Annual Report includes at least five high-paid managers, however, it does not contain remuneration breakdown by type (Section 11 of the Company Annual Report);</i></p> <p>b) for all members of executive bodies and other key managers of the Company, the Company's remuneration policy is applied to, broken down by each type of remuneration; -</p> <p><i>the cumulative remuneration recorded in the Annual Report includes all members of executive bodies without remuneration breakdown by type (Section 11 of the Company Annual Report);</i></p>	
6.2.8.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
6.3.	The Company shall provide information and documents at request of shareholders in accordance with equal and unhindered access principles		
6.3.1.	In accordance with the Company's information policy, the Company shareholders owning equal number of the Company voting shares shall be provided with equal access to the Company's information and documents	The Company shareholders owning equal number of the Company voting shares shall be provided with equal access to the Company's information and documents (Article 11 of the Company's Articles of Association (cl.11.1))	The principle of corporate governance is complied with in full
6.3.2.	Other key, in the Company's opinion, criteria	-	-



	(recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance		
<b>VII. Significant corporate actions</b>			
7.1.	Actions significantly affecting or may affect the structure of the stock capital and the Company's financial state and, therefore, the shareholders' state (significant corporate actions) shall be performed on equitable conditions ensuring observance of the shareholders and other stakeholders' rights and interests		
7.1.1.	<p>The Company's Articles of Association determine the list (criteria) of transactions and other actions, <u>constituting significant corporate actions</u>, whose review falls within the competence of the Company Board of Directors, including:</p> <ul style="list-style-type: none"> <li>reorganization of the Company, procurement of 30 and more percent of the Company voting shares (acquisition), increase or reduction in the Company authorized capital, listing and delisting of the Company shares;</li> <li>transactions to sell shares (stocks) of the legal entities controlled by the Company and significant for the same, whose consummation results in the Company's losing control over such legal entities;</li> <li>transactions, including related transactions, with the property of the Company or legal entities controlled by the Company, whose cost exceeds the amount specified in the Company Articles of Association or the property significant for the Company's business operations;</li> <li>establishment of a Company-controlled legal entity, having significant importance for the Company's activities;</li> <li>disposal by the Company of treasury and "quasi-treasury" shares</li> </ul>	<p>The Company's Articles of Association determine the list (criteria) of transactions or other actions, whose review falls within the competence of the Company Board of Directors, including:</p> <ul style="list-style-type: none"> <li>- <b>reorganization of the Company</b> <i>(Pursuant to the effective laws the issue of the Company reorganization is within the competence of the General Shareholders' meeting, however the Company Articles of Association provide for the Board of Directors to put this issue for consideration by the General Shareholders' meeting. cl.18.3.5. of the Articles of Association)</i></li> <li>- <b>procurement of 30 and more percent of the Company voting shares (acquisition):</b> Procedure of procurement of 30 and more per cent of the Company voting shares is regulated by the Federal law "On Joint Stock Companies". Notwithstanding absence in the Company Articles of Association of the relevant provisions as regards possible acquisition of the Company, the Board of Directors plans to control strict compliance with the law requirements in case of the Company acquisition, actively participate in the procedures related to the Company acquisition.</li> <li>- <b>Increase</b> <i>(18.3.6, 18.3.7, 18.3.8 of the Company's Articles of Association)</i> or reduction in the Company authorized capital</li> </ul>	<p>Main principles of corporate governance set forth in cl. 7.1.1 are complied with by the Company and enshrined in the Articles of Association.</p> <p>The competence of the Company Board of Directors is determined by the effective laws, the Company Articles of Association and regulation on the Company Board of Directors</p> <p>Main principles of corporate governance set forth in cl. 7.1.1 are complied with by the Company and enshrined in the Articles of Association.</p> <p>The Articles of Association do not regulate the issues on quasi-treasury shares transfer.</p>

		<p>(cl. 17.3.14. of the Articles of Association, competence of the General Meeting), <b>listing</b> (competence of BoD cl.18.3.35 of the Articles of Association) and delisting of the Company shares (BoD introduces the delisting issue to the General Shareholders' Meeting, the General Meeting adopts the resolution cl. 17.3.28 of the Articles of Association);</p> <p>- <b>Issue of transactions regulation to sell shares (stocks) of the legal entities controlled by the Company and significant for the same, whose consummation results in the Company's losing control over such legal entities:</b> resolving on termination of the Company's participation in other companies is within the competence of the Board of Directors. Procedure of resolving on the issues of the Board of Directors competence (as regards agenda items of the Board of Directors meetings) is regulated by the Company Articles of Association and its internal Regulations.</p> <p>- <b>transactions, including related transactions, with the property of the Company or legal entities controlled by the Company, whose cost exceeds the amount specified in the Company Articles of Association or the property significant for the Company's business operations;</b> (18.3.22,18.3.23 of the Company's Articles of Association)</p> <p>- <b>establishment of a Company-controlled legal entity, having significant importance for the Company's activities;</b> (decision on the Company's participation in other entities, cl. 18.3.30 of the Articles of Association))</p>	
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		- <b>transfer by the Company of treasury and</b> (cl.18.3.26 of the Articles of Association) "quasi-treasury" shares. The issue of quasi-treasury shares transfer is not regulated separately.	
7.1.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-
7.2.	The Company shall ensure the procedure for consummating significant corporate actions allowing shareholders to obtain complete information on such actions in a timely manner, allowing them to influence consummation of such actions and guaranteeing observance and adequate level of protection for their rights during consummation of such actions		
7.2.1.	<p>The Company's internal documents establish the principle of ensuring equitable conditions for all shareholders of the Company during consummation of significant corporate actions affecting the rights and legitimate interests of shareholders, and also enshrine additional measures protecting the rights and legitimate interests of the Company shareholders provided for in the Corporate Governance Code, including:</p> <p>involvement of an independent valuer having impeccable reputation recognized at the market and valuation experience in a relevant field, or provision of the reasons for not involving an independent valuer when determining the cost of property disposed of or procured under a major transaction or a related-party transaction;</p> <p>determination of the Company shares price during their procurement and buyout by an independent valuer having impeccable reputation recognized at the market and valuation experience in a relevant field, taking into account average weighted price of shares for a relevant period of time, disregarding the effect associated with consummation of a relevant transaction by the Company (including without taking into account the change in the share price due to communication of the information on consummation of a relevant transaction by the Company), as well as disregarding the discount for</p>	<p>Involvement of an independent valuer when determining the cost of property disposed of or procured under a major transaction is set forth in Art.22.2. of the Articles of Association.</p> <p>Involvement of an independent valuer when determining the cost of property disposed of or procured under a related-party transaction is not set forth in the Articles of Association.</p> <p>Determination of the Company shares price during their procurement and buyout by an independent valuer is set forth in Art.21.9 of the Company's Articles of Association.</p> <p>cl.18.2.1 -18.2.9. of the Articles of Association provide for a wide range of criteria of the Board of Directors members independence.</p>	<p>The principles of corporate governance set forth in cl. 7.2.1 <u>are complied with by the Company partially</u>. Involvement of an independent valuer when determining the cost of property disposed of or procured under a related-party transaction is not set forth in the Articles of Association.</p> <p>The Articles of Association do not provide for expanding the list of grounds for recognizing the members of the Company Board of Directors and other persons set forth in the laws as interested in the Company transactions to assess actual connection among the relevant persons.</p>

	disposal of shares included in minority interest; expanding the list of grounds for recognizing the members of the Company Board of Directors and other persons set forth in the laws as interested in the Company transactions to assess actual connection among the relevant persons		
7.2.2.	Other key, in the Company's opinion, criteria (recommendations) of the Corporate Governance Code pertaining to the foregoing principle (principles) of corporate governance	-	-