

**APPROVED BY**

Annual General Shareholders' Meeting  
of Mechel Public Joint Stock Company

Minutes No.1 of the Annual General Shareholders'  
Meeting dated July 02, 2020

Chairman of the Meeting

\_\_\_\_\_ (Oleg V. Korzhov)

Secretary of the Meeting

\_\_\_\_\_ (Olga A. Yakunina)

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

**Moscow 2020**

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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 meeting the criteria set forth in the Charter of the Company and recognized as an independent director by respective resolution of the Board of directors of the Company.

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.

### 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, and 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.

### **3. OBJECTIVES AND TASKS OF THE BOARD OF DIRECTORS**

#### **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 the 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. Functions and Tasks of the Board of Directors**

To achieve its objectives, the Board of Directors shall, within the limits of its competence, perform the following main tasks and functions:

- 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;
- determines the strategy for the Company development;
- develops the investment policy of the Company and of the controlled companies;
- considers the main areas of the activities and the development strategies for the controlled companies;
- considers the results of the financial and operational activities of the Company and its controlled companies;
- 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;
- determine the principles of and approaches to the arrangement the processes of risk management, internal control and internal audit in the Company;
- approve the appointment and discharge of candidates for the position of a Corporate secretary of the Company (Head of the structural subdivision performing the functions of a corporate secretary);
- approve the Regulation on the work of the Corporate secretary of the Company (structural subdivision performing the functions of a corporate secretary), the principles for the remuneration scheme and assessment of the work of the Corporate secretary of the Company (Head of the structural subdivision performing the functions of a corporate secretary), approve reports related to its work;
- approve the general principles for the assessment of the work and of the remuneration and incentive scheme of the Company top management;
- approve the appointment and discharge of candidates for the position of the head of the Internal Audit subdivision of the Company and determine the remuneration for such position;
- approve reports of the Executive bodies of the Company on the effectiveness of the risk management and internal control systems of the Company;
- consider the results of the assessment of the work of the Board of Directors;
- approve the transaction whose subject is the property with value exceeding 10% (ten percent)

of the book value of the Company's assets defined based on its most recent accounting (financial) statements preceding the date of resolution but not exceeding 25% (twenty-five percent) of the book value of the Company's assets defined based on its accounting (financial) statements as of the most recent accounting date, except for the transactions that are within the competence of the Management Board of the Company;

- approve transactions related to the acquisition, alienation and encumbrance of shares and stakes in charter capital of other companies, including material terms and conditions of such transactions;
- 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;
- perform other tasks and functions set forth in the Company Charter.

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 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 PAO".

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;
- 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;
- 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, to 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 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 immediately inform the Company of transactions with such securities completed by them, for the purpose of the information disclosure;
- 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 and competitors of the Company. The aforesaid information, as well as information on the affiliated persons and their changes shall be disclosed in the form of a personal statement of the member of the Board of Directors;
- 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;
  - to provide the Board of Directors and the Company's auditor with information in writing:
    - 1) on the legal entities where they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adopted children and (or) the companies controlled by them are controlling entities or are entitled to give binding instructions;
    - 2) on the legal entities where they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adopted children and (or) the entities controlled by them hold positions in governing bodies;
    - 3) on any known current and proposed transactions where they may be deemed interested parties.

A controlling person is a person entitled either directly or indirectly (through persons or entities controlled by it/him/her) to dispose due to participation in a controlled entity and (or) based on agreement on the fiduciary management of assets, and (or) a civil law company, and (or) instruction, and (or) shareholders' agreement, and (or) other agreement the subject of which is exercise of rights attached to shares (stakes) of the controlled entity, of more than 50 percent of votes in the highest governance body of the controlled entity or the right to appoint (elect) a sole executive body and (or) more than 50 percent in the composition of the collegial governance body of the controlled entity. A controlled person (controlled company) is a legal entity that is under the direct or indirect control of a controlling person.

The above information shall be communicated to the Board of Directors 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.

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

An independent director shall refrain from performing any actions aimed at losing the status of an independent director, immediately inform the Board of Directors of any actions of third parties aimed at influencing the performance by such independent director of the obligations of an independent director and inform the Board of Directors of any circumstances

(or a reasoned possibility of the occurrence of such circumstances) resulting in a loss (or possible loss) of the status of an independent director. Such notification shall be sent to the Chairman of the Board of directors within the reasonable timelines as soon as the director became aware of such circumstances and shall contain the description of the circumstance resulting in a loss of the status of an independent director and respective calendar date of the occurrence of such circumstance, if it is possible to be determined.

If the above mentioned notification has been received by the Chairman of the Board of directors and if the circumstances resulting in a loss of independency by its director became known to the Company from other sources, the Board of directors shall consider the question of the incompliance of such director who lost his/her independency status with the independency criteria. The information on the loss of independency status by an independent director shall be published on the Internet web-site of the Company in the section containing the information on the composition of the Board of directors.

### **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 AND DEPUTY 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 not 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 or in case if it is impossible for the Chairman to perform his/her duties.

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.
- Perform interactions with the Company shareholders (communication between the shareholders of the Company and the Chairman of the Board of directors is performed through the head of the respective structural subdivision performing the functions of a corporate secretary, through the Director of the Investor Relations Department and through the feedback form available on the web-site of the Company in the Internet).

2. In the absence of the Chairman and Deputy Chairman of the Board of Directors or in case if it is impossible for them to fulfill their duties, 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 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. SENIOR INDEPENDENT DIRECTOR**

#### **Article 12. Election of a Senior independent director**

1. Independent directors are entitled to elect a Senior independent director out of the elected independent directors.
2. A Senior independent director shall be elected by majority of votes of the BD members participating in the meeting.
3. The powers of a Senior independent director remain valid unless a new composition of the Board of directors has been elected. The powers of a Senior independent director may be early terminated in case of loss by such director of his/her independency status. The powers of a Senior independent director may also be early terminated by respective resolution of the Board of directors. In such cases the Board of directors is entitled to elect a new Senior independent director based on respective proposal of the independent directors.

### **Article 13. Functions of a Senior independent director**

A Senior independent director is to coordinate interactions between the independent directors, including convocation of the meetings (if necessary) of independent directors and acting as a chairman of such meetings. It is possible for the independent directors to hold meetings without the participation of a Senior independent director. In this case they have to notify the latter of the resolutions passed or positions developed as a result of such meeting.

A Senior independent director interacts with the Chairman of the Board of directors, provides him/her with consultations and support thus ensuring an effective organization of the work of the Board of directors. The effectiveness of the Chairman of the Board of directors is evaluated under the supervision of a Senior independent director. Such evaluation is to be performed by independent directors with the consideration of the opinion of all BD members.

Communication of the Company shareholders with the Senior independent director shall be performed through the head of the structural subdivision that performs the functions of a corporate secretary, through the Director of the Investor Relations Department and through the feedback form available on the web-site of the Company in the Internet.

In case of any conflict (e.g. if there are striking discrepancies between the members of the Board of directors) a Senior independent director shall make efforts to resolve the conflict by way of interactions with the Chairman of the Board of directors, other members of the Board of directors and shareholders of the Company in order to ensure a stable and effective work of the Board of directors.

## **5. SECRETARY OF THE BOARD OF DIRECTORS**

### **Article 14. Election of the 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.

### **Article 15. Duties of the Secretary of the Board of Directors**

1. The Secretary of the Board of Directors shall:
  - Keep, prepare and sign 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 16. 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.

### **6. MEETING OF THE BOARD OF DIRECTORS**

#### **Article 17. 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 18. 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 the Board of Directors from working normally.

## **Article 19. 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) at least 5 days before the date of the BD meeting.

In case of convocation of an urgent meeting of the Board of directors by resolution of the Chairman of the Board of directors of the Company or by person performing the functions of the Chairman of the Board of directors, it is possible to file respective materials and documents necessary for the consideration of the agenda points within a later time frame than the one provided for herein.

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;
  - 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 20. 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 21. 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 22. 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 23. 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 24. Meetings of the Board of Directors**

1. Meetings of the Board of Directors shall be held as necessary, but at least every two months. Certain meetings of independent directors shall be held at least once a year.

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.

Information and communication technologies may be used during the meetings performed in praesentia to ensure the remote participation of the BD members in the meeting, discussion of the agenda points and resolving on the agenda points put to vote without a necessity to be physically present at the meeting provided that there is an unambiguous identification (authorization) of such BD members.

3. The Board of directors is entitled to consider and resolve on the following questions only at the meeting in praesentia:

- 1) Defining the priority areas of the Company's activities, approval of annual and quarterly budgets (financial plans) of the Company, defining the development strategy of the Company, development of the investment policy of the Company and its controlled entities, considering the main areas of activities and the development strategies for the controlled entities as well as analysis of the results of the financial and operational activities of the Company and of its controlled entities;
- 2) convocation of the annual general shareholders' meeting and passing necessary resolutions for the convocation and holding of the meeting, convocation or refusal to convene an extraordinary general shareholders' meeting;
- 3) preapproval of the annual statement of the Company;
- 4) election and reelection of the Chairman of the Board of directors;
- 5) establishing executive bodies of the Company and early termination of their powers;
- 6) Submitting for consideration of the general shareholders' meeting of the questions related to the reorganization (including defining the swap ratio of the shares of the Company) or liquidation of the Company;
- 7) Approval of the major transactions of the Company.
- 8) Approval of the registrar of the Company and the terms and conditions of the agreement with the registrar as well as termination of the agreement with the registrar;
- 9) Submitting for consideration of the general shareholders' meeting of the question of the transfer of powers of the sole executive body of the Company to a management company or managing director;
- 10) questions related to mandatory or voluntary proposals submitted to the Company;
- 11) Questions related to an increasing of the charter capital of the Company (including evaluation of the price of the property contributed as payment for the additional shares placed by Company);
- 12) Questions related to the listing and delisting of the shares of the Company;
- 13) Analysis of the results of the assessment of the effectiveness of the work of the Board of directors, executive bodies of the Company and key management staff;
- 14) Resolving on the remuneration of the members of the executive bodies of the Company and other key management;
- 15) Considering the risk management policy;
- 16) Approval of the dividend policy of the Company.

4. Members of the Company's executive bodies, 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.

5. 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.

6. 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 25. 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.

### **Article 26. 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 supplemented to the minutes of the meeting. 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 supplemented 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.

## **7. REQUIREMENTS TO RESOLUTIONS OF THE BOARD OF DIRECTORS**

### **Article 27. 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 who were disqualified by court order;
- in other cases provided for by effective RF legislation.

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 28. 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.

## **8. ADOPTION OF RESOLUTIONS OF THE BOARD OF DIRECTORS BY ABSENTEE VOTING**

### **Article 29. 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.

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, delivered in person, or by electronic means, or by telegraph, teletype, phone, or other form of communication, as a rule, not later than 5 days prior to the end date of ballots acceptance.

In case of convocation of an urgent meeting of the Board of directors or if it is decided to do so by Chairman of the Board of directors of the Company or by person performing the functions of the Chairman of the Board of directors, the materials and documents necessary for the consideration of the agenda point of such meeting of the Board of directors may be filed to the BD members within a later time frame than the one provided for herein.

### **Article 30. 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.

## **9. FAMILIARIZATION OF MEMBERS OF THE BOARD OF DIRECTORS WITH THE COMPANY'S AFFAIRS**

### **Article 31. 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 32. 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 the certified excerpts from the minutes of the General meeting of shareholders containing the above mentioned resolutions.

## **10. CONFLICT BETWEEN THE INTERESTS OF MEMBERS OF THE BOARD OF DIRECTORS AND THE INTERESTS OF THE COMPANY**

### **Article 33. 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 34. 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 their controlled persons, and if such persons are involved in a transaction with the Company as beneficiaries, intermediaries, or representatives in a transaction or are controlling person 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.

## **11. COMMITTEES OF THE BOARD OF DIRECTORS**

### **Article 35. 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 36. 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 37. 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 38. 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 39. 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 40. Nominations and Compensation Committee**

1. The main objective of the Nominations and Compensation Committee is preliminary review of the questions related to human resource planning (planning of the succession of functions), professional composition and effectiveness of the work of the Board of directors 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.

## **12. LIABILITY OF THE BOARD OF DIRECTORS**

### **Article 41. 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.

## **13. MANAGEMENT SUCCESSION**

### **Article 42. 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.