

APPROVED BY:
General Meeting of
OAO Severstal-auto
24 December 2004
Minutes # _____
of _____ 2004
Chairman of meeting

_____)

REGULATIONS FOR THE BOARD OF DIRECTORS OF OAO SEVERSTAL-AUTO

The present Regulations were elaborated based on the Federal law “On Joint-stock Companies” and in compliance with the Articles of Association of OAO Severstal-auto (referred to hereinafter as “the Company”). The Regulations stated herein define the formation procedure, status, composition, responsibilities, and tenure of the Board of Directors, its operating procedure and interaction and communication with the other bodies of the Company’s administration.

1. General provisions

1.1. The Board of directors shall have overall charge with regard to the Company’s business activities, except those issues which fall within the scope of competences of the General Meeting of Stockholders.

The Board shall be accountable to the General Meeting of Stockholders and shall make all the necessary arrangements in implementing the decisions adopted thereby.

2. Election procedure, termination of the tenure and operation of the Board of Directors

2.1. The stockholders (stockholder) of the Company, disposing in total of at least two percent of the outstanding voting shares of the Company shall be entitled to nominate candidates for the Board of Directors of the Company to be elected at the annual General Meeting of Stockholders, the number of nominees not exceeding the actual numerical strength of the Board of Directors. Said nominations shall be submitted to the Company within 60 (sixty) days upon the accounting period (fiscal year) closure.

In the event of including the question of the Board of Directors election in the agenda of the Extraordinary General Meeting of Stockholders, the stockholders (stockholder) of the Company, disposing in total of at least two percent of the outstanding voting shares of the Company shall be entitled to nominate candidates for the Board of Directors of the Company to be elected at the annual General Meeting of Stockholders, the number of nominees not exceeding the numerical strength of the actual Board of Directors of the Company. Said nominations shall be submitted to the Company within 30 days prior to the date of holding the Extraordinary General Meeting of Stockholders.

The nomination submittal shall specify the name of the nominee, the number and category of the stocks disposed of (in case the candidate is a member of the Company), as well as the name(-s) of the applicant(-s), submitting said nominations, the number and category of the stocks disposed of thereby.

2.2. The members of the Board of Directors shall be elected by the General Meeting of Stockholders, said Board members' term in office expiring on the date of holding the next consecutive annual General Meeting of Stockholders. Upon failure to hold a consecutive annual General Meeting of Stockholders within the timeframe provisioned for in Clause 1, Article 47 of the Federal law "On Joint-stock Companies", the mandate of the members of the Board of Directors shall be terminated, except their tenure as regards the preparation, convocation and holding of the annual General Meeting of Stockholders.

A physical body shall only be entitled to be a member of the Board of Directors of the company. A person (persons) other than Company stockholder (stockholders) shall also qualify for membership of the Board of Directors. Persons elected as members of the Board of Directors shall be entitled to run for Board membership an unlimited number of times.

The person implementing the responsibilities of a sole executive body shall not contemporaneously be nominated for the post of the Chairman of the Board of Directors.

A member of the Board of Directors shall not simultaneously be a member of the auditing committee of the Company.

The stocks belonging to the members of the Board of Directors shall not be pledged for voting on the Company's auditing committee membership.

The elections of the members of the Board of Directors shall be performed by way of cumulative vote. Said cumulative voting procedure shall be arranged in a manner, whereby the number of voting stocks belonging to each stockholder is multiplied by the number of persons to be elected members of the Board of Directors of the Company, the stockholder (stockholders) being entitled to use the votes thus obtained fully in favor of one and only candidate or else to split said votes between two, or more, candidates. Those scoring the absolute majority of votes shall be considered elected members of the Board of Directors.

2.3. The decision of the General Meeting of Stockholders on an early termination of office for the members of the Board of Directors shall only be adopted as applied to all the members of the Board of Directors at full strength.

2.4. The Chairman of the Board of Directors of the Company alongside with his Deputy shall be elected by the members of the Board of Directors of the Company from amongst the members of the Board by a simple majority of votes of the members of the Board of Directors of the Company.

The Chairman of the Board of Directors of the Company shall make arrangements for its operation, convoke the meetings (sittings) of the Board of Directors, preside over such meetings, make provisions for the taking of minutes at all the sittings, and preside over the General Meeting of Stockholders.

The Chairman of the Board of Directors of the Company or another person as authorized by the Board of Directors shall conclude, on behalf of the Board of directors, a five-year contract with the Managing Director, which contract shall stipulate the rights and duties of said Managing Director as regards the day-to-day running of the Company's business activities.

In the event of non-availability of the Chairman of the Board of Directors, the duties vested in said Chairman shall be executed by one of the members of the Board of Directors by the decision of the members of the Board of Directors of the company.

2.5. By the decision of the General Meeting of Stockholders, the members of the Board of Directors, within their term in office, shall be entitled to remuneration and/or disbursement of the costs incurred with relation to their fulfillment of responsibilities as members of the Board of

Directors of the Company. The amount of such remuneration and/or disbursement shall be established by the decision of the General Meeting of Stockholders.

2.6. The Company shall be obliged to disclose the information pertaining to the amounts due to be paid as remuneration to the members of the Board of directors as part of the quarterly reports of securities issuer or otherwise in compliance with the stipulations of operating laws and requirements of the organizer of the stock market on which the company goes public with its equities.

2.6. The numerical strength of the Board of Directors membership shall make 9 (nine) members.

2.7. Appropriate responsibilities shall be distributed among the members of the Board of directors based on the proposals made by the Chairman of said Board.

2.8. The Board of Directors of the Company shall appoint the secretary of the Board of Directors, said secretary not necessarily being a member of the Board of Directors.

The secretary of the Board of Directors other than a member of the Board of Directors shall fulfill his duties based on an employment contract.

2.9. The secretary of the Board of Directors shall ensure notification of the members of the Board of Directors as well as of invitees as to Board sittings convocation, keep the minutes of said sittings as well as execute the flow of pertinent documents of the Board of Directors of the Company, maintain the Company's correspondence with its stockholders, supply the stockholders with all the requested information on the Company, make arrangements in the way organizational management while preparing and holding the General Meetings of the Stockholders of the Company.

3. The scope of competence of the Board of Directors, its rights and duties

3.1. The tenure of the Board of directors shall include decision-making powers as regards general management of the Company's operation, except those issues which are referred to the jurisdiction of the General Meeting of stockholders.

3.2. The Board of Directors shall not be authorized to reassign its tenure to any other persons or bodies, unless otherwise expressly stated by the operating legislation of the RF and/or by the Articles of Association of the Company.

3.3. The scope of powers vested in the Board of Directors is as follows:

3.3.1. Determination of priority-oriented business operation of the Company;

3.3.2. Convocation of annual and/or extraordinary General Meetings of Stockholders, except those instances, which are stipulated by Clause 8, Article 55 of the Federal law "On Joint-stock Companies";

3.3.3. Approval of the agenda of the General Meeting of Stockholders;

3.3.4. Determination of the date of drawing up a list of persons authorized to take part in the General Meeting of Stockholders, as well as other issues referred to the tenure of the Board of Directors in compliance with the provisions of Section VII of the Federal law "On Joint-stock Companies";

3.3.5. Increase of registered capital of the Company by way of extra stock promotion within the numerical and typological limits of the authorized shares, except those instances of

registered capital growth, which are referred to the competence of the General Meeting of Stockholders, as well as making appropriate amendments to Articles of Association of the Company;

3.3.6. Placement of bonds and other types of securities issued by the Company in conformity to the stipulations of the Federal law “On Joint-stock Companies”;

3.3.7. Pricing of property (pecuniary valuation), of placement and repurchase of issued stocks in compliance with the Federal law “On Joint-stock Companies”;

3.3.8. Acquisition, where the law permits, of the stocks, bonds, and other kinds of securities placed by the Company in compliance with the Federal law “On Joint-stock Companies”;

3.3.9. Making arrangements for the elections of the Managing Director of the Company and early termination of his term in office;

3.3.10. Advising as regards the amount of the remuneration due to be paid to the members of the auditing committee of the Company, as well as the amount of the remuneration/reimbursement to the auditor;

3.3.11. Advising as regards dividend rate as per share and the manner of payment of said dividends;

3.3.12. Use of reserve fund as well as of other assets of the Company;

3.3.13. Approval of in-house documents of the Company, except those corporate documents, whose approval is referred, by the Federal law “On Joint-stock Companies”, to the tenure of the General Meeting of Stockholders, as well as other corporate documents of the Company, whose approval is referred, by Articles of Association of the Company, to the tenure of the Company’s executive bodies;

3.3.14. Establishment of branches and proxyships of the Company as well as liquidation thereof, making appropriate amendments to Articles of Association of the Company;

3.3.15. Approval of major transactions in the instances stipulated by Section X of the Federal law “On Joint-stock Companies”;

3.3.16. Approval of transactions in compliance with the provisions of Section XI of the Federal law “On Joint-stock Companies”;

3.3.17. Approval of the registering agency for the Company and of the contract terms thereof, as well as termination of the contract thereof;

3.3.18. Approval of draft documents and programs submitted for the consideration of the Managing Director of the Company;

3.3.19. Approval of candidacies as nominated by the Managing Director for the posts of his deputies, supervisors of divisions, subsidiaries, and representations, Chief accountant, directors and deputies thereof;

3.3.20. Other issues provisioned for by the Federal law “On Joint-stock Companies” and by Articles of Association of the Company.

3.4. The members of the Board of Directors of the Company shall be held fully liable to the Company for any losses, incurred by the Company through their direct/indirect fault, unless otherwise stipulated by the operating Federal law in the way of legal grounds and extent of liability.

Alongside with that, those members of the Board of Directors who voted against (or else abstained from voting) the faulty decisions that incurred said losses of the Company, shall be indemnified for liability stated above.

3.5. Each and every member of the Board of Directors shall only make proper use, i.e. in the interests of the Company and in compliance with the in-house regulatory documents of the Company, of the data pertaining to the Company’s operation, Company’s bonds and stocks and transactions therewith, said information not being intended for public disclosure, which disclo-

sure may affect the market price of the Company's securities, as well as of any other highly confidential and proprietary information constituting corporate and/or commercial secrets..

3.6. Each and every member of the Board of Directors shall be obliged to advise the Company in a timely manner of their possession of the Company's stocks and bonds as well as on sales and/or purchases of the Company's securities, which information the Company shall disclose as part of its quarterly report of securities issuer, said information being capable of significantly to influence the price of the Company's securities, and in other manner of disclosure in compliance with the stipulations of the operating statutory acts and with the requirements of the promoter of the stock-market, where the Company's securities is admitted for competitive bidding.

Each and every member of the Board of Directors shall be obliged to advise the Company in a timely manner as to any changes in their share of registered capital of the Company's subsidiary and affiliated companies and/or of any changes in their possession of stocks of the company's subsidiary and affiliated companies, which information the Company shall be obliged to disclose on occasions and in a manner prescribed by the operating statutory acts and in compliance with the requirements of the promoter of the stock-market, where the Company's securities are admitted for competitive bidding.

4. Convocation and holding procedure for the Sessions of the Board of Directors

4.1. The sessions and sittings of the Board of Directors shall be convoked and held as and when necessary.

The sittings of the Board of Directors shall be convoked by the Chairman of the Board of Directors at his discretion, at the request of any member of the Board of Directors, of the auditing committee or the auditor of the Company, as well as of the executive body of the Company on occasions and in a manner stipulated by these Regulations.

The Board of Directors shall be obliged:

- within 65 days upon the closure of the fiscal year (accounting period) to hold a meeting with a view to taking a decision on inclusion of the stockholders' proposals in the agenda of the annual General Meeting of stockholders;
- within 30 days prior to the date of the General Meeting of Stockholders, to hold a meeting with a view to approving the draft annual report of the Company submitted for consideration by the General Meeting of Stockholders;
- within 5 days of receipt of the request made the Company's auditing committee, by the auditor of the Company or by the company's stockholder (stockholders), disposing of at least 10% of voting stocks to hold a meeting with a view to passing a decision on the convocation of an extraordinary General Meeting of Stockholders or on cancellation of said convocation.

4.2. Each member of the Board of Directors shall be duly notified within at least 3 business days prior to the date of holding the meeting of the Board of Directors (deadline for acceptance of statements (opinions in writing), in the event of holding an absentee meeting). Said notification shall be sent to the recipients by means of postal, telegraphic, teletype, facsimile, e-mail, or other type of communication services capable of ensuring the authenticity and validity of the messages thus sent and received, as well as documented confirmation thereof. Such notification shall include a list of questions on the agenda. The meeting shall not deliberate on any questions, which are not included in the agenda as stated in the notification mentioned above, except a situation when all the elected members of the Board of Directors are present at a given meeting. Said notification shall contain all the relevant documents enclosed therein and related to the

agenda. As circumstances may require, any meeting of the Board of Directors may be rescheduled put off till a later date by consent of all the attending members of the Board of Directors.

4.3. The quorum for holding the meetings of the Board of directors shall be defined as the presence of at least fifty percent of elected members of the Board of. In the event that the number of the members of the Board of directors is below the strength specified above, the Board of Directors shall be obliged to pass a decision on holding an extraordinary General Meeting of Stockholders in order to elect new members of the Board of Directors. The remaining other members of the Board of Directors of the Company shall only be entitled to take a decision on holding said General Meeting of Stockholders.

When considering the quorum issue and the results of the ballot, a written opinion of a member of the Board of Directors may be taken into account as regards the list of questions on the agenda. Specific forms and the procedure of submitting said opinion in writing shall be specified in the notification on holding a meeting of the Board of Directors. The written opinion mentioned above may be dispatched by mail, telegraphic, teletype, facsimile, as well as e-mail communication services making use of the option of electronic signature, as well as by way of other means of communication, capable of ensuring the authenticity and validity of the written opinion of a member of the Board of Directors as regards each question on the agenda, as well as documented confirmation thereof.

4.4. Decisions on the issues specified above in Clauses.3.3.5, 3.3.15 of these regulations, shall be adopted by the Board of Directors unanimously, the votes of drop-out members of the board not being taken into account.

In the event that no unanimity has been achieved as regards the issue specified in Clause 3.3.15 of these Regulations, by the decision of the Board of Directors said issue of approving a major transaction may be submitted for the consideration of the general Meeting of stockholders.

Decisions on the issue specified in Clause 3.3.16 of these Regulations shall be passed by a majority of votes of independent directors, who have no personal involvement (interest) in the transaction under consideration. The status of an independent director with regard to the purposes stated above shall be assigned to a member of the Board of Directors if within one year prior to said decision-making instance he (she) has not been:

- a person, fulfilling the duties of a sole executive body of the Company, including the posts of its supervisor, member of a collegial executive body, a person, holding responsible positions in the administrative bodies of the controlling entity;
- a person, whose spouse, parents, children, siblings and non-siblings, adoptive parents or adoptive children are persons holding posts in stated above administrative bodies of the Company, the controlling entity of the Company or are the manager of the Company;
- an affiliated body of the Company, except membership in the Board of Directors of the Company.

In the event that all the members of the Board of Directors are recognized as interested parties and/or are not recognized as independent directors, the decision on the issue, specified in Clause 3.3.16 of these Regulations may be taken by the General Meeting of Stockholders.

On occasions when, in compliance with these Regulations, a decision is to be passed by a qualified majority of three thirds of the votes or unanimously by all the members of the Board of Directors, the drop-out members of the Board of Directors not being taken into account, said drop-out members of the Board of Directors shall be deemed persons as follows:

- deceased, missing persons, or persons recognized legally incapable;
- persons, who have voluntarily divested themselves as members of the Board of Directors due to their health status, in case of conflicting interests, as well as in other instances confirmed by a written notice of the quitting member of the Board of Directors. In such case

said resignation notice shall be considered by the members of the Board of Directors at the meeting of the Board of Directors closest application filing date. The date of retirement shall be the date of taking the appropriate decision by the Board of Directors;

- persons, whose tenure as members of the Board of Directors has been terminated or suspended due to decisions of law enforcement agencies, when such decisions have taken legal effect.

As regards all the other decisions taken by the Board of Directors, they shall be passed by a simple majority of votes of the members of the of the Company's Board of Directors, attending the meeting in question or taking part in absentee voting, if otherwise not stipulated by the Federal law "on Joint-stock Companies". When taking decisions at meetings of the Board of Directors, each member of the board of Directors of the Company shall only possess one vote.

No reassignment of the right to vote to another person, including other members of the Board of Directors, shall be admitted.

In the event that the votes of attending members of the Board of Directors have split in equal parts (fifty-fifty), the Chairman of the Board of Directors shall enjoy the right of decisive vote.

4.5. The decisions of the Board of Directors may be taken by way of absentee vote (polling method).

The resolution on holding absentee voting shall be passed by the Chairman of the Board of Directors or by the initiators of a meeting of the Board of Directors.

Those members of the Board of Directors shall be deemed as participants in the absentee voting procedure, whose ballot papers (written opinions) as regards questions on the agenda have been turned in prior to returns deadline, specified in the notification mailed to the members of the Board of Directors. The written opinion mentioned above may be dispatched by mail, telegraphic, teletype, facsimile, as well as e-mail communication services making use of the option of electronic signature, as well as by way of other means of communication, capable of ensuring the authenticity and validity of the written opinion of a member of the Board of Directors as regards each question on the agenda, as well as documented confirmation thereof. Specific methods of turning in the ballot papers (written opinions) shall be specified in the notification on the convocation of a meeting of the Board of Directors.

4.6. The agenda of a meeting shall include questions submitted for consideration by the members of the Board of Directors, members of the auditing committee, the auditor, as well as by the executive body.

4.7. Minutes shall be taken at all the meetings of the Board of Directors.

The minutes of a meeting of the Board of Directors shall be drawn up within three days of its holding.

The minutes of a meeting shall cover items as follows:

- place and date of holding;
- attendees;
- questions on the agenda;
- questions, put to vote and ballot results;
- decisions passed.

The minutes of a meeting of the Board of Directors of the Company shall be signed by the Chair person who presided over the sitting, which person shall be held responsible for drawing up the minutes correctly and in due time.

4.8. The minutes of sittings shall be made available to any stockholder or member of the Board of Directors within seven days of filing an appropriate request in writing, the minutes being available for familiarization in the office of the executive body of the Company.

5. Procedure of filing a request for the convocation of a meeting of the Board of Directors

5.1. The request on the convocation of a meeting of the Board of Directors shall be filed to the Chairman of the Board of Directors or to the Company Общество in writing, which request shall contain information as follows below:

- requisites of the initiator of the convocation (initiator's name or the name of the body or corporate person that lodge the request in question);
- questions to be included in the agenda;
- grounds for including said questions in the agenda;
- the feedback address of the person that files request for convocation.

The request for the convocation of a meeting shall be signed by the applicant.

5.3. The Chairman of the Board of Directors may not turn down the request for convoking a meeting, except instances, whereby:

- the convocation request filed does not conform to pertinent regulatory requirements and statutory acts, to the provisions of Articles of Association, and of these Regulations;
- the initiator of convoking a meeting shall not be entitled to request such convocation based on the provisions of these Regulations.

5.4. The Chairman of the Board of Directors shall be obliged to consider the request filed and take a decision on convoking the requested meeting of the Board of Directors turning such request down within five (5) days of filing date.

5.5. The Chairman of the Board of Directors shall be obliged to notify the initiator(-s) of convoking a meeting as to the decision taken within three (3) of the date of the decision made thereof.

6. Partiality of the members of the Board of Directors

6.1. The members of the Board of Directors shall be held parties of interest with regard to the transaction contemplated by the Company, if said persons, their spouses, parents, children, siblings and non-siblings, adoptive parents or adoptive children and /or their affiliated persons:

- are a party to the transaction, a beneficiary, an intermediary, or a representative as regards the transaction in question;
- possess (individually or collectively) in excess of 20% of the stocks (shares, stakes) of the corporate person being a party to the transaction, a beneficiary, an intermediary, or a representative as regards the transaction in question;
- hold posts in the managerial bodies of the corporate person, being a party to the transaction, a beneficiary, an intermediary, or a representative as regards the transaction in question, as well posts in the managerial bodies of said corporate person's controlling entity.

The members of the Board of directors held parties of interest shall disclose to the Board of Directors information concerning:

- legal entities, wherein they have a stake individually or collectively with their affiliated person(-s) in excess of 20% of voting stocks (shares, stakes);
- legal entities' managerial bodies, wherein they hold office;

- finalized or contemplated transactions known to them, wherein they may be held parties of interest.

7. Decision-making restrictions on the Board of Directors

7.1. The Board of Directors may not:

- take a decision on shares acquisition by the Company, if the nominal value of the Company's circulating stocks run down below 90% of the registered capital of the Company;
- take a decision on the acquisition by the Company of outstanding common stocks prior to repayment of registered capital in full;
- take a decision on the acquisition by the Company of outstanding common stocks, whereas at the time of their acquisition the Company meets the insolvency test (bankruptcy) in compliance with the provisions of the statutory acts of the Russian Federation as to insolvency (bankruptcy) of enterprises, or said insolvency condition might result from the acquisition of said stocks;
- take a decision on the acquisition by the Company of outstanding common stocks, whereas at the time of their acquisition the Company's net assets value runs down below the figure of registered capital or reserve funds, or if said reduction in value might result from the acquisition of stocks;
- take a decision on the acquisition by the Company of outstanding common stocks prior to stock redemption, whereas said redemption has been claimed in compliance with Article 76 of the Federal law "On Joint-stock Companies";
- recommend the General Meeting of Stockholders to take a decision on the disbursement (declaration) of stock dividends: prior to repayment of the company's registered capital in full; prior to repurchasing all the stocks, which are to be repurchased in compliance with Article 76 of the Federal law "On Joint-stock Companies"; whereas at the time of their acquisition the Company meets the insolvency test (bankruptcy) in compliance with the provisions of the statutory acts of the Russian Federation as to insolvency (bankruptcy) of enterprises, or said insolvency condition might result from the repayment of dividends; whereas on the date of said decision-making the Company's net assets value runs down below the figure of registered capital or reserve funds, or if said reduction in value might result from taking said decision; alternatively, as stipulated by the operating Federal legislation;
- make amendments to the wording of questions on the agenda, set forward for inclusion in the agenda of the General Meeting of Stockholders likewise amendments to the wording of decisions passed on said questions;
- make procedural changes in rules of holding an extraordinary General Meeting of Stockholders as convoked at the request of the in-house auditing committee of the Company, the Auditor of the Company or of a stockholder (stockholders), possessing at least 10% of the voting shares of the Company, whereas said request contains specific procedural requirements;
- specify the pecuniary value of the Company's property when disbursing its stocks with non-monetary assets in excess of the valuation figure as estimated by an independent appraiser;
- establish the repurchasing price of the Company's stocks below their market value as estimated by an independent appraiser;
- take any decisions, except those on the convocation of an extraordinary General Meeting of Stockholders for the election of a new composition of the Board of Directors subject to the expiration of the term in office of the current Board of Directors in the event of the quorum of the Board of Directors dropping below the figure stipulated by the company's Articles of Association.

8. The Board of Directors' Committees

8.1. By the Decision of the Board of Directors the consideration of certain issues may require the establishment of certain committees allotted to the Board of Directors (the Auditing Committee of the Board of Directors, The Human Resources and Remunerations Committee of the Board of Directors, as well as other standing or provisional committees).

8.2. Said committees may not operate on behalf of the Board of Directors.

The functions, formation and operation procedure shall be defined for each committee by a dedicated provision, approved by the Board of Directors.

As circumstances may require, casual staff may be taken on by the committees mentioned above, including, but not limited to, experts possessing the professional knowledge required.

8.3. The committees of the Board of Directors shall provide the Board of Directors with recommendations and opinions (findings) on the issues falling within the scope of their competence, and fulfill other duties as stipulated by appropriate provisions.

9. Concluding remarks

9.1. Amendments to these Regulations shall be made by the decision of the General Meeting of Stockholders.

9.2. In the event of discrepancies occurring between the norms of these Regulations and the requirements of the operating legislation of the RF, the norms of the operating laws of the RF shall apply.