

**Approved by  
the Resolution of the Board of Directors  
of Open Joint-Stock Company Severstal-auto  
22 February 2005  
Minutes No. 01-2005**

**REGULATIONS ON  
THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
Open Joint-Stock Company Severstal-auto**

**Cherepovets  
2005**

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## **1. General provisions**

1.1. These Regulations on the Audit Committee of the Board of Directors (hereinafter referred to as the “Regulations”) of Open Joint-Stock Company Severstal-auto (hereinafter referred to as the “Company”) have been approved in accordance with effective laws, the Company’s Charter (hereinafter referred to as the “Charter”) and the Regulations on the Company’s Board of Directors.

1.2. The Audit Committee of the Company’s Board of Directors (hereinafter referred to as the “Audit Committee”) is formed in accordance with the resolution of the Company’s Board of Directors and facilitates control over financial and operating activities of the Company.

1.3. The purpose of the Audit Committee’s activities is to assist the Company’s Board of Directors in exercising control over the completeness and accuracy of financial and other reports, the process of their preparation and presentation, operations of the internal control system, internal audit, risk management, ensuring compliance with laws, the Charter and the Company’s internal documents.

1.4. The Committee reports to the Company’s Board of Directors.

1.5. The activity of the Audit Committee shall be governed by effective laws of the Russian Federation, the Company’s Charter, Regulations on the Company’s Board of Directors, resolutions of the general shareholders’ meeting and the Company’s Board of Directors, these Regulations and other internal regulations of the Company.

## **2. Functions and powers of the Audit Committee**

2.1. The Audit Committee is charged to perform the following exclusive functions:

2.1.1. Evaluate the candidacies of firms to be appointed the Company’s auditors and provide their opinion to the Company’s Board of Directors;

2.1.2. Evaluate the Company’s auditors’ reports;

2.1.3. Evaluate the efficiency of the internal control system and risk management system implemented in the Company, and prepare recommendations for their improvement;

2.1.4. Review approval procedures of unusual transactions and prepare recommendations to the Board of Directors for their improvement.

2.2. In line with the functions referred to in Clause 2.1 of these Regulations, the Audit Committee should:

2.2.1. Provide the Company’s Board of Directors with the results of evaluation of the candidacies of firms to be appointed the Company’s auditors, and prepare for the Company’s Board of Directors recommendations regarding the candidate to be appointed the Company’s auditor;

2.2.2. Prepare for the Company’s Board of Directors recommendations on the amount of the Company’s auditors’ compensation, type and scope of services;

2.2.3. Exercise control over tenders for appointment of the Company’s auditor, if such tenders are held;

2.2.4. Review and discuss jointly with the Company’s auditor significant matters which arise in the course of the audit of the Company’s financial statements before these financial statements are published;

- 2.2.5. Evaluate the Company's auditors' report and review relevant management comments regarding this report before the auditors' report is presented to the general meeting of the Company's shareholders (an evaluation of the Company's auditors' report prepared by the Audit Committee is included in documents for the annual general meeting of the Company's shareholders);
- 2.2.6. Review the reports prepared by Company's Internal Audit Department, which monitors compliance with the Company's internal control procedures, evaluates the efficiency of the internal control environment, risk management and corporate governance, about the irregularities it discovered, and evaluate these irregularities;
- 2.2.7. Review the reports prepared by the Company's Internal Audit Department for the year;
- 2.2.8. Evaluate internal control and risk management procedures, and prepare recommendations for the Company's Board of Directors for their improvement;
- 2.2.9. Review the procedure of approval of unusual transactions, and develop recommendations for the Company's Board of Directors for their improvement;
- 2.2.10. Prepare reports upon request of the Company's Board of Directors or on its own initiative concerning particular matters within its remit, and prepare reports on its activities during the year for review by the Company's Board of Directors;
- 2.2.11. Consider reports, conclusions and other documents of the Company's Inspection Commission regarding the irregularities discovered during the relevant period of the Company's activity;
- 2.2.12. Present for review at the meetings of the Company's Board of Directors conclusions regarding the irregularities discovered during the relevant period of the Company's activity and the ways and means of eliminating and preventing similar irregularities;
- 2.2.13. Prepare suggestions on amending these Regulations;
- 2.2.14. Approve work plans of the Company's Internal Audit Department;
- 2.2.15. If necessary, design special assignments and projects for the Company's Internal Audit Department;
- 2.2.16. Review the activities and organisation structure of the Company's Internal Audit Department, as well as take appropriate measures to prevent (eliminate) unwarranted limitations on the activities of the Internal Audit Department on the part of management bodies, officers and other employees of the Company;
- 2.2.17. Hold regular closed meetings with the participation of the Company's Internal Audit Department to discuss the problems and issues calling for separate consideration;
- 2.2.18. Exercise other powers necessary for the Audit Committee to perform its functions.

### **3. Composition and formation of the Audit Committee**

3.1. The Audit Committee consists of three members of the Company's Board of Directors.

3.2. The Audit Committee is headed by the Chairman who should meet the criteria set out in Clause 3.3.1 of these Regulations.

3.3.1. The Audit Committee should consist only of the members of the Company's Board of Directors who meet the following requirements/criteria:

- Upon and three years prior to election, they should not be either an officer or an employee of the Company (or of the managing body or managing organisation of the Company);
- They must not hold an official position in another company, in which any executive of this company or the Company is a member of the board of directors' personnel and remuneration committee;
- They must not be spouses, parents, children, brothers and sisters of the executives (managing body) of the Company (of the executive of the managing organisation of the Company);
- They must not be affiliated to the Company and its affiliated persons, except for a member of the Company's Board of Directors;
- They must not be parties to arrangements with the Company, the existence of which gives rise to obligations and which include a condition where they can purchase assets (receive cash) with a value of, and over, 10 percent of total income of these persons, except for compensation for serving on the Company's Board of Directors;
- They must not be representatives of the state, i.e. persons who represent the Russian Federation or its regions on the boards of directors of joint-stock companies subject to the state's special rights ("golden share"), nor can they be persons elected to the board of directors from among the candidates nominated by the Russian Federation, as well as regions of the Russian Federation, or municipalities, if such members of the board of directors must vote on the basis of written directives (instructions, etc.) of the Russian Federation, regions of the Russian Federation, or municipalities, respectively;
- They cannot be members of the Company's Board of Directors for more than five years.

3.3.2. If, due to objective reasons, it is impossible to form the Audit Committee only out of the members of the Company's Board of Directors who meet the requirements specified in Clause 3.3.1 of these Regulations, the Audit Committee must consist only of the members of the Company's Board of Directors which meet the requirements specified in Clause 3.3.1 of the present Regulations and the members of the Board of Directors who are not the sole executive body and/or members of the collegiate executive body of the Company (if its existence is provided for by the Charter).

3.4. The Chairman and other members of the Audit Committee are elected by a majority vote of the members of the Company's Board of Directors who are in attendance at the meeting or who take part in absentee voting.

3.5. Members of the Audit Committee are elected for the period until the next Board of Directors of the Company is elected. The Board of Directors may, by the majority of votes of its members participating in the voting, terminate the powers of all or certain members of the Audit Committee.

3.6. The Chairman of the Audit Committee organises the work of the Audit Committee, in particular, he/she:

- 3.6.1. Convenes the meetings of the Audit Committee and presides at them;
- 3.6.2. Organises the discussion of various issues at the meetings of the Audit Committee, as well as ensures that the persons invited to participate in the meetings have the opportunity to present their opinions;
- 3.6.3. Ensures that minutes of the meetings of the Audit Committee are kept, and signs them;
- 3.6.4. Allocates responsibilities between the members of the Audit Committee;

- 3.6.5. Signs the documents developed and approved by the Audit Committee in the course of performing the functions assigned to it;
- 3.6.6. Submits written reports to the Board of Directors on the Audit Committee's activities and gives necessary clarifications on their content;
- 3.6.7. Performs other functions which are provided for in effective laws, the Company's Charter, these Regulations and other internal regulations of the Company.

3.7. The members of the Audit Committee shall have unimpeded access to any documents and information of the Company, unless otherwise provided for by laws or other regulatory or non-regulatory acts applicable to the Company.

#### **4. Meetings and resolutions of the Audit Committee**

4.1. The Audit Committee shall meet on a regular basis. The Chairman of the Audit Committee on his/her own initiative or on the basis of proposals of the members of the Audit Committee, members of the Board of Directors of the Company, the auditor of the Company, the Inspection Commission of the Company, the person performing the functions of the sole executive body of the Company (including management organisation or managing director) and the Internal Audit Department of the Company, can make a decision to convene a meeting of the Audit Committee.

4.2. The Audit Committee may make a decision by absentee voting (polling). Written opinions of the members of the Audit Committee may be sent by mail, telegraph, teletype, facsimile and electronic communications using an electronic digital signature and other means of communications ensuring the authenticity of transferred written opinions of the members of the Audit Committee and their documentary evidence.

4.3. The meeting of the Audit Committee is considered qualified (has a quorum) when the majority of the members of the Committee are in attendance (written opinions are received in advance of the meeting).

4.4. Any information on personal interest of a member of the Audit Committee in considering a specific issue must be disclosed by him/her at the meeting of the Audit Committee and made known to the Board of Directors of the Company.

4.5. Every member of the Audit Committee has one vote. The Audit Committee makes a decision by the majority of votes of the members of the Audit Committee and records it in the minutes of the meeting.

4.6. The minutes of the meeting of the Audit Committee should include the following information:

- Date, place and time of the meeting (or the date of holding absentee voting);
- List of the members of the Audit Committee participating in the meeting (the absentee voting);
- Matters put to the vote and the results of the vote (with indication of voting results of every member of the Audit Committee attending the meeting);
- Decisions made at the meeting.

Materials, conclusions, proposals and recommendations prepared by the Audit Committee and special opinions of the members of the Audit Committee are attached to the minutes.

4.7. Officers and employees of the Company, including the person performing the functions of the sole executive body of the Company, representatives of the auditor of the Company, experts and other persons engaged by the Audit Committee may be invited to meetings of the Committee in order to make presentations or provide clarifications.

## **5. Procedure of approval and utilisation of the Audit Committee's budget**

5.1. The Board of Directors of the Company approves the Audit Committee's budget for one year upon presentation by the Committee.

5.2. Unless otherwise decided by the Audit Committee, the Chairman of the Committee determines the level and procedure of spending the Audit Committee's budget of payments for services provided by the Committee's consultants. A meeting of the Audit Committee makes decisions to approve specific terms of reference and select consultants.