

**APPROVED**

By the Extraordinary General Meeting of Shareholders  
of Mechel Open Joint Stock Company

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Chairman of the Meeting

\_\_\_\_\_ (V.V.Proskurnya)

Secretary of the Meeting

\_\_\_\_\_ (O.A. Yakunina)

**BYLAW  
ON THE COLLEGIAL EXECUTIVE BODY  
(MANAGEMENT BOARD)  
OF MECHEL OPEN JOINT STOCK COMPANY**

**Moscow, 2007**

## **1. General Provisions**

1.1. The Management Board of Mechel Open Joint Stock Company (hereinafter the “Company”) is the Company's collegial executive body that manages its day-to-day operations.

1.2. The Company's General Director shall act as Chairman of the Management Board.

1.3. This Bylaw is based on the Civil Code of the Russian Federation, the Federal Law “On Joint-Stock Companies” and other regulations of the Russian Federation and the Company's Charter.

1.4. The Management Board shall act in compliance with the law of the Russian Federation, the Company's Charter, resolutions of the Company's General Shareholders’ Meeting and its Board of Directors, this Bylaw and the Company's other internal documents.

1.5. The Management Board shall act in the best interests of the Company and its shareholders and shall be accountable to the General Shareholders’ Meeting and the Company's Board of Directors.

## **2. Competence of the Management Board**

2.1. The Company Management Board’s competence includes:

- Elaboration, study and presentation for review by the Board of Directors of forward-looking plans relating to conduct of the Company's priority lines of operation and proposals as to the strategy of the Company’s development;
- Elaboration, study and presentation for review by the Board of Directors of reports regarding implementation of the Company's investment projects that are worth more than US\$30 mln;
- Elaboration, study and presentation for review by the Board of Directors of the Company's investment projects that are worth more than US\$50 mln;
- Presentation to the Board of Directors of proposals regarding distribution by the Company and acquisition by the Company of outstanding bonds and Company participation (obtaining or increasing participation) in other entities or giving up (reducing) Company participation in other entities;
- Approval of the Company's annual and long-term investment programs;

- Approval or modification of policies that are not within the competence of the Board of Directors;
- Approval of the Company's document that prescribes the form, structure and contents of the Company's annual report;
- Approval of a transaction the Company makes in connection with a (possible) alienation of the Company's non-current assets if such non-current assets are worth 10% to 25% of the book value of the Company's assets on the date of approval of transaction;
- Taking decisions regarding the Company's exercise of powers as a shareholder of (participant in) other entities when voting at meetings of shareholders/participants in such entities and when candidates are nominated to Boards of Directors, auditing committees and to the Sole Executive Body;
- Establishment of a wage system and development of an incentives system for the Company's employees;
- Appointment and discharge of the Secretary of the Management Board;
- Provision of recommendations to the executive bodies of the entities the list of which is approved by the Company's Management Board (further, the Enterprises) regarding the following matters:
  - a) development of bonus systems for employees of the Enterprises,
  - b) approval of parameters of organizational structures of the Enterprises,
  - c) participation (obtaining or increasing participation) and giving up (reducing) participation of the Enterprises in other entities, reorganization of the Enterprises,
  - d) approval of a transaction the Enterprise makes in connection with a (possible) alienation of the Enterprise's non-current assets that are worth 10% to 25% of the book value of the Enterprise's assets on the date of approval of such transaction;
- Resolution of other matters in connection with the Company's day-to-day operations that are suggested for its consideration by the Chairman of the Company's Management Board, the Company's Board of Directors or a holder of 20% or more of the Company's voting shares.

### **3. Membership and Procedure of Formation of the Management Board and Termination of Powers of its Members**

3.1. The Company's Board of Directors elects members to the Company's Management Board.

3.2. The Management Board, which is formed in accordance with the Company's Charter, may include executives of the Company and its subsidiaries and other individuals who have proper professional training and management experience, primarily in the Company's area of operation.

3.3. The Company's Board of Directors decides how many members there are in the Management Board, and its numerical strength must be such as to ensure maximum efficiency in terms of constructive discussion of matters and adoption of timely and efficient decisions.

3.4. The Company's General Director nominates candidates to the Management Board subject to approval of the Board of Directors; the number of nominees is equal to that of the members of the Management Board that is determined by the Company's Board of Directors, except for his own candidacy.

3.5. A member is elected to the Management Board for an indefinite term. The powers of any member (all members) of the Management Board may be terminated ahead of schedule by the Chairman of the Company's Board of Directors at his own initiative, at the initiative of the Chairman of the Company's Management Board or at the initiative of a member of the Management Board. The powers of a member of the Management Board are terminated on the date named in the resolution [on termination of powers] of the Company's Board of Directors; and if such resolution does not name a date, powers are terminated on the resolution date.

If the Management Board does not have enough members to form a quorum that allows the Management Board to meet, the General Director shall nominate new members of the Management Board instead of those who resigned subject to approval of the Board of Directors.

3.6. The Chairman of the Company's Management Board, who is also a sole executive body of the Company (General Director), presides over the activities of the Management Board.

3.7. The Chairman of the Management Board organizes the activities of the Management Board, distributes duties among the members of the Management Board, provides for the Management Board to adopt justified and efficient decisions, presides over meetings of the Management Board and addresses other matters under the Company Charter and this Bylaw.

3.8. If the Chairman of the Management Board is absent from a meeting of the Management Board, a deputy Chairman who is elected from among the members of the Management Board at the first meeting of the Management Board by majority vote of all elected members of the Management Board presides over meetings of the Management Board, and if the Chairman and deputy Chairman are absent, a member of the Management Board appointed by the Management Board presides.

3.9. The Secretary of the Management Board provides organizational and information support of activities of the Company's Management Board.

3.10. The Secretary of the Management Board is appointed and relieved by a resolution of the Company's Board of Directors that must be approved by majority vote of the members of the Management Board who attend the meeting. The Chairman of the Management Board nominates a candidate Secretary from among the Company employees.

3.11. The Secretary of the Management Board shall:

1) have materials prepared that enable the Management Board to meet and consider agenda of the meeting; to this end, individuals responsible for development of documents are to provide the documents not later than 2 business days before a meeting date;

2) notify members of the Management Board of a meeting of the Management Board by sending notification, agenda and related materials;

3) provide organizational and technical support at meetings of the Management Board;

4) keep minutes of meetings of the Management Board;

5) monitor compliance with resolutions of the Management Board and notify the Management Board of implementation of resolutions;

6) prepare drafts of individual documents and resolutions of the Management Board if requested by the Chairman of the Management Board (deputy Chairman of the Management Board);

7) announce voting results and adopted resolutions to the members of the Management Board;

8) make resolutions of the Management Board known to the individuals who are responsible for implementation of such resolutions; for this, the Secretary signs and provides to them excerpts from minutes of meetings of the Management Board.

#### **4. Procedure of Calling and Holding Meetings of the Management Board**

4.1. Meetings of the Management Board are called by the Chairman of the Management Board, and if he is absent, by deputy Chairman on an "as-needed" basis but not less than once a month at their own initiative or at the initiative of any member of the Management Board.

4.2. Notice is given to the members of the Management Board about the venue, date, time and agenda of a meeting of the Management Board two (2) business days before the said meeting; materials are attached that are required for consideration of the agenda.

If materials are not in place in time for a meeting of the Management Board and/or the procedure is not complied with for provision of materials under this Bylaw, the

Chairman of the Management Board may elect to strike an item off the agenda of the planned meeting of the Management Board; the individuals who failed to provide the materials may be brought to account under labor law.

4.3. Notice of a formal meeting of the Management Board (one requiring personal attendance of its members) shall mention the following:

- the Company's full company name and address of registered office;
- the agenda of the meeting of the Management Board;
- the date, time and venue of the meeting of the Management Board;
- the individuals, apart from the members of the Management Board, who are invited for participation in the meeting and discussion of matters on the agenda;
- the list of data (materials) that are supplied to the members of the Management Board during preparation for the meeting.

4.4. The Secretary prepares and the Chairman of the Management Board signs the notification of a meeting of the Management Board; when allowed by this Bylaw, a notification may be signed by deputy Chairman of the Management Board.

4.5. The Chairman of the Management Board may elect to call a meeting of the Management Board that requires personal attendance of the members or a meeting that is held by absentee vote (by poll); or the Company's Management Board may meet at a venue other than its registered office.

4.6. If the Management Board calls an absentee meeting, the Secretary of the Management Board attaches ballots for absentee voting and related materials to the notification. Those members of the Management Board whose ballots are delivered to the Secretary in person or are received by Company fax in time to meet the deadline for casting ballots are recognized as having validly participated in the absentee meeting.

4.7. A meeting of the Management Board is valid (has a quorum) if half or more of the elected members of the Management Board participate in it.

4.8. The Management Board passes its resolutions by majority vote of the members of the Management Board who participate in the meeting.

4.9. When deciding whether it has a quorum or when counting votes cast for or against a resolution, the Management Board takes into account written votes of its members who are absent from the meeting of the Management Board

4.10. The Management Board passes resolutions on a "one member-one vote basis".

4.11. A member of the Management Board may not delegate his vote to other individuals, including other members of the Management Board.

4.12. Minutes of a meeting of the Company's Management Board recording the results of the meeting (whether held by absentee vote) are drawn up and signed by the

Chairman and Secretary of the Management Board within two (2) business days of the meeting.

4.13. Minutes of a meeting of the Management Board shall contain:

- the Company's full name;
- information about the venue, date and time of meeting;
- list of the members of the Management Board who attended the meeting;
- meeting agenda;
- issues that were put to the vote and voting results, indicating how each individual member voted;
- content of individual opinions if any were expressed by a member (members) of the Management Board during discussion;
- passing resolutions.

4.14. The Company shall keep the minutes of meetings of the Management Board at the location of the Company's executive body.

## **5. Rights, Duties and Liability of Members of the Management Board**

### **5.1. Members of the Management Board**

5.1.1. The rights and duties of the members of the Management Board are regulated by the law of the Russian Federation, the Company Charter and this Bylaw.

5.1.2. A member of the Management Board may:

1) resolve matters relating to management of the Company's day-to-day operations while acting as a member of the Company's collegial executive body;

2) have full access to information about the Company's operations and to constituent, regulatory, accounting, reporting, contractual and other Company documents;

3) supply data, make statements and suggestions regarding items on the agenda of a meeting of the Management Board;

4) put forward proposals in writing regarding elaboration of operational plans for the Management Board and agenda of a meeting of the Management Board;

5) demand a meeting of the Company's Management Board;

6) write a dissenting opinion if the member objects to a resolution of the Management Board and send it to the Company's Board of Directors;

7) exercise other rights under the law of the Russian Federation, the Company's Charter and his labor contracts with the Company.

5.1.3. A member of the Management Board shall:

- participate in meetings of the Company's Management Board;

- implement decisions and instructions of the general shareholders' meeting, the Company's Board of Directors and Management Board, and comply with the Company's Charter and internal documents;

- act in the best interests of the Company, exercise his rights and respect his duties to the Company conscientiously and reasonably;

- notify the Company Secretary in writing within 15 days of beginning of every quarter about the following:

- a) the legal entities in which the member of the Management Board owns 20% or more of voting shares (stock, stake) as sole owner or co-owns with his affiliated person (persons);

- b) the legal entities in which the member of the Management Board sits on an executive body;

- c) any transactions known to the member of the Management Board which are made or planned to be made and in which he may be recognized as having an interest.

- notify the Company's General Director and Board of Directors of any planned transactions in which the member of the Management Board may be recognized as having an interest fifteen days before the transaction date;

- refrain from disclosing information that contains the Company's company or commercial secret.

5.2. A member of the Management Board may not sit on the executive body of another organization or hold a paid office in another organization unless the Company's Board of Directors gives its consent.

## **6. Final Provisions**

6.1. The Bylaw on the Management Board shall be approved by the Company's General Shareholders' Meeting.

6.2. The Company's General Shareholders' Meeting may make amendments and addenda to this Bylaw.

6.3. If changes to the law or regulations of the Russian Federation cause any clauses of this Bylaw to come into conflict with the changed law or regulations, the conflicting clauses lose legal force and effect, and pending changes to the Bylaw, the Management Board is governed by the law and regulations of the Russian Federation.