

**Approved
by the resolution of the Board of Directors
of OJSC “Novolipetsk Steel”**

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**Regulations
On the Audit Committee**

**Lipetsk
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Chapter 1. General provisions

These Regulations on the Audit Committee of NLMK's Board of Directors (hereinafter the "Committee") are elaborated in accordance with the applicable legislation of the Russian Federation, the Charter, the Code of Corporate Governance and other internal documents of Open Joint Stock Company "Novolipetsk Steel" (hereinafter the "Company").

The Audit Committee is established for the Company's Board of Directors to create an effective system of control over financial and economic activities of the Company, provide practical participation of the Board of Directors in the control over financial and economic activities of the Company, its subsidiaries and associates, and consistent supervision and control over the process of preparation and disclosure of reliable financial information on the Company, the volume and transparency of such information.

The Audit Committee is a consultative body and is fully accountable for its activities to the Board of Directors of the Company.

Chapter 2. Purposes and objectives of the Audit Committee

The main purpose of the Audit Committee is elaboration and submission of recommendations to the Board of Directors of the Company regarding provision of effective participation of the Board of Directors in the control over financial and economic activities of the Company, including elaboration and submission of recommendations to the Board of Directors of the Company regarding the annual independent audit of the Company's financial statements, quality of services rendered by the Auditor and his compliance with the requirements of Auditor's independence; the process of valuation of property by the independent appraiser, when it is required by legislation of the Russian Federation and in other cases.

The objectives of the Audit Committee are:

2.1. To provide consultative assistance required by the Board of Directors for elaboration of strategy upon the following issues:

- recommendations on the choice of independent audit organization, including: qualification of its auditors, quality of its services and its compliance with the auditor's independence requirements;
- consistent supervision over the preparation of the Company's financial statements by executive bodies of the Company, over objectivity of such statements and the process of disclosure of the reliable financial information on the Company, the volume and transparency of such information;
- recommendations on the Appraiser nominee candidate and on the process of independent valuation of property, when it is required by legislation of the Russian Federation and in other cases;
- consistent supervision over the Company's internal control system;
- cooperation with the executive bodies of the Company and other parties.

2.2. To prepare and submit draft resolutions upon the issues stated above.

2.3. To provide the control over the performance of resolutions passed by the Board of Directors regarding preparation and audit of the financial statements and elaboration of internal control systems.

Chapter 3. Authority of the Audit Committee

The Audit Committee shall, in accordance with its objectives:

- 3.1 Provide preparation of recommendations for the Board of Directors of the Company regarding the Auditor of the Company nominee, which is to be elected among acknowledged independent auditors with high professional reputation for further approval of the appropriate candidate by the General Meeting of Shareholders.
- 3.2 Determine the main requirements to the organization and procedure of the competition (tender) in order to choose the Auditor of the Company in case such competition (tender) takes place.
- 3.3 Analyze and discuss together with the Auditor of the Company essential issues arising in the process of audit of the Company, and, if necessary, submit to the Board of Directors for review.
- 3.4. Issue recommendations on the maximum amount of remunerations of the Auditor of the Company, type and scope of his services, including the services accompanying audit. Elaborate policy in respect of the preliminary approval of the list of audit services rendered to the Company by the external Auditor.
- 3.5. Review the Auditor's opinion prior to its submission to shareholders at the General Meeting of Shareholders of the Company.
- 3.6. Consider the list of the most essential amendments made in the financial statements of the Company upon the results of the audit.
- 3.7. Analyze the information contained in the annual reports prior to its submission for consideration by the Board of Directors and the quarterly reports prior to its disclosure, including the estimation of its completeness and compliance with information of which members of the Committee are aware.
- 3.8. Perform appraisal and report to the Board of Directors, when needed, but at least once a year, on the performance of the current Company's internal control system on the basis of analysis of the internal audit service and Audit Commission performance and recommendations (report) of the external Auditor.
- 3.9. Analyze and inform the Board of Directors on the efficiency of the internal control system functioning in subsidiaries including the discussion of an Auditor nominee candidate for such companies.
- 3.10. Be entitled to request and receive any information required for solving set tasks as well as referring to the activities of its subsidiaries and associates, from members of executive bodies, managers of Company's subdivisions in accordance with the procedure adopted in the Company.

Chapter 4. Membership of the Audit Committee

4.1. The Audit Committee shall consist of at least three members being members of the Board of Directors of the Company.

4.2. The Chairman of the Audit Committee shall be elected among independent members of the Company's Board of Directors for the term of execution of duties of the Board of Directors at one of the first meetings of the Board of Directors of the Company.

4.3. Members of the Committee shall be elected among the Board of Directors and shall be appointed by the Board of Directors as advised by the Chairman of the Committee.

4.4. Powers of all or any members of the Committee may be early terminated by resolution of the Board of Directors.

4.5. Nominees to the Audit Committee shall have irreproachable reputation, higher education, experience of work related to preparation (audit) of financial statements, elaboration (analysis) of internal control systems, law and economics.

4.6. The Chairman of the Committee is responsible for organization of the work of the Committee.

4.7. The Chairman of the Committee shall:

- call meetings of the Committee and preside at such meetings;
- elaborate the schedule of the Committee meetings for the current year;
- draft meeting agendas of the Committee;
- arrange keeping minutes at meetings of the Committee;
- sign and submit to the Board of Directors of the Company draft documents (programmes, memoranda, etc.) on behalf of the Committee;
- maintain regular communications with executive bodies of the Company and heads of units;
- appoint the Secretary of the Committee.

Chapter 5. Procedure of convening and holding of meetings of the Audit Committee

5.1. The first meeting of the new Committee shall be held within 30 working days from the date of the meeting of the new Board of Directors at which the Chairman of the Committee was elected and members of the Committee were appointed.

5.2. Meeting of the Committee shall be held at least four times a year in accordance with the schedule of meetings approved by the Chairman of the Committee, and at any time when the issues that fell in the competence of the Committee's arise.

5.3. Decisions on calling Committee meetings, the date, time and place of such meetings, the agenda and the list of persons invited to the meeting shall be made by the Chairman of the Committee.

5.4. The Secretary of the Committee shall inform the Committee members in advance of the date, time, place and agenda, shall provide them with materials (documents) to be discussed at the meeting, and calling other persons to the meeting, as defined by the Chairman of the Committee.

5.5. The meeting of the Committee is considered valid (forms the quorum) in case there are no less than a half of members present. Presence of the quorum shall be determined by the Chairman of the Committee at the opening of the meeting. In the absence of the Committee's Chairman his functions will be performed by an approved Committee's member.

5.6. Meetings of the Committee may be held in the form of joint presence of the Committee members or in the form of absentee voting.

5.7. Each member of the Committee shall have one vote for the purposes of passing resolutions on the issues included in the agenda. Transfer of vote by a member of the Committee to other persons, including other members of the Committee, is not allowed.

5.8. Resolutions of the Committee shall be passed by a majority of votes of members participating in the meeting of the Committee.

5.9. The Secretary of the Committee shall draft the minutes of the meeting to be signed by the Chairman within 5(five) working days from the date of the meeting of the Committee (held in the form of joint presence of members or absentee voting).

5.10. Minutes of the meeting of the Committee shall include:

- date and place of the meeting;
- the list of members of the Committee who participated in consideration of issues included in the agenda of the Committee, the form of the meeting, the list of persons present at the meeting of the Committee;
- the agenda;
- resolutions passed.

5.11. Materials and documents approved by the Committee shall be filed to minutes of meetings.

Chapter 6. Support of activities of the Audit Committee

6.1. The budget of the Company shall provide (within the budget of the Company's Board of Directors) for the expenses connected with the financing of the Audit Committee activities.

6.2. Proposals on the amount of the Committee's budget shall be drafted at one of the first meetings of the Committee and sent to the Board of Directors for its further approval.

Chapter 7. Accountability and responsibility of members of the Audit Committee

7.1. The Audit Committee shall submit to the Board of Directors of the Company annual reports on the results of its activities no later than 45 days prior to the date of the annual General Meeting of Shareholders.

7.2. Members of the Committee shall bear responsibility in accordance with the provisions of the Federal law “On Joint Stock Companies”, the Charter and other internal documents of the Company.

Chapter 8. Procedure of approval and introduction of amendments to these Regulations.

8.1. These Regulations and all amendments and additions to it shall be approved by the Board of Directors of the Company by a majority vote of the total number of the Board members.

8.2. All issues, which are not covered in these Regulations, shall be governed by the Company's Charter, Regulations on the Board of Directors and other internal documents of the Company.

8.3. In case certain provisions of these Regulations come into conflict with any amendments made in the applicable legislative & statutory acts of the Russian Federation, such provisions of the Regulations shall be rendered void; in this case members of the Committee shall be guided by the effective Russian legislation until these Regulations are modified correspondingly.