

Corporate governance

Corporate Governance Principles

The underlying corporate governance principles and procedures are summarised in the NLMK Code of Corporate Governance. The NLMK Code of Corporate Governance is consistent with the guiding principles advised by the Organisation for Economic Cooperation and Development (Principles of Corporate Governance, 1999), and the provisions of the Corporate Governance Code approved by the Russian Federation regulatory authorities.

The NLMK Code of Corporate Governance defines the following major principles:

1. Seek to ensure effective and transparent arrangements to guarantee the rights and interests of shareholders
2. Provide equal treatment of all shareholders
3. Seek to provide shareholders with the opportunity to exercise their right to participate in the management of the Company
4. Observe the rights of third parties
5. Pursue a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which the Company is the founder, a participant or a member
6. Policy of open and transparent communications
7. Policy of complying with business ethics in conducting its operations
8. Seek to comply with the applicable legislation and international Corporate Governance standards

NLMK recognises the importance of corporate governance for building an attractive investment case for the Company and continues to improve its corporate governance in line with best international practice.

Company Governance Structure

The governing authority of NLMK is the General Meeting of Shareholders. The Board of Directors takes responsibility for the overall operations of the Company and its long-term development strategy. The executive bodies, the President (Chairman of the Management Board) and the Management Board manage the day-to-day activities of the Company. An Independent Auditor and the Internal Audit Committee

supervise the financial and business activities of the Company. Financial statements are subject to mandatory audits in accordance with Russian laws and the US Generally Accepted Auditing Standards.

In addition to the Code of Corporate Governance and Charter of the Company, the activities of its managing and supervisory authorities are also governed by other corporate documents, including the General Meeting of Shareholders Regulations, the Board of Directors Regulations, and the Internal Audit Commission Regulations.

General Meeting of Shareholders

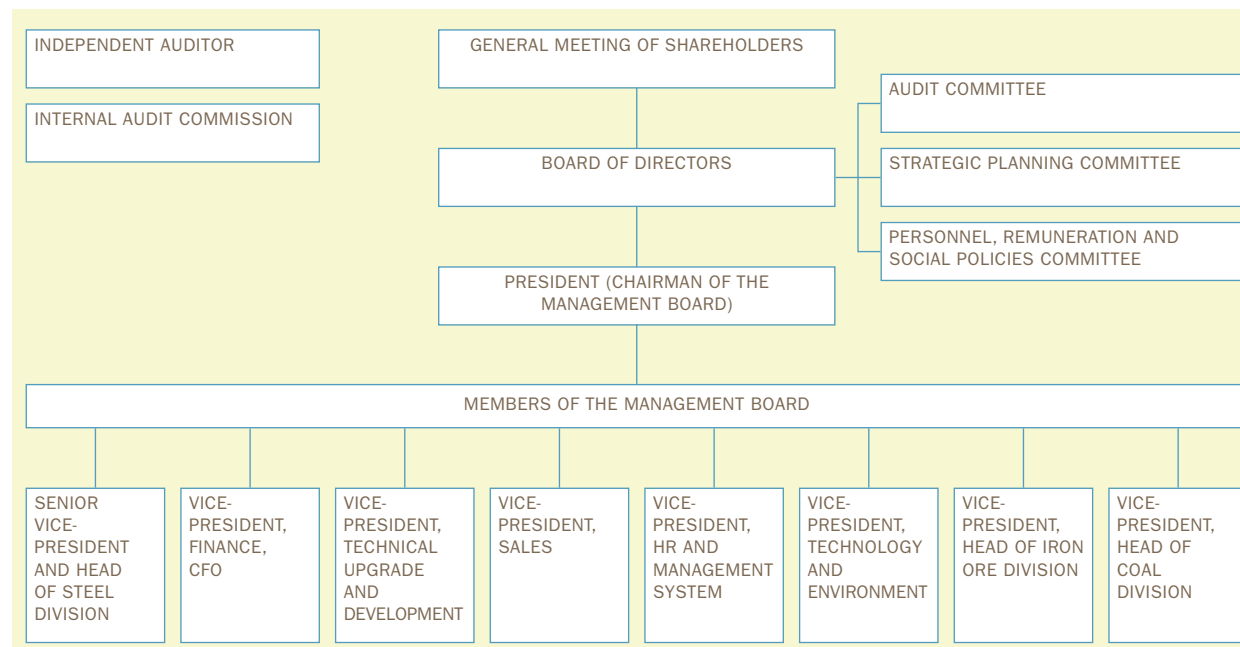
Our shareholders as owners of the Company exercise their rights to participate in managing the Company by approving decisions at the General Meeting of Shareholders.

Two General Meetings of Shareholders were held in 2008, including the Annual Meeting and one Extraordinary Meeting of Shareholders.

The following issues were included in the agenda of the Annual Meeting of Shareholders, which was held on June 6, 2008:

- Approval of the Annual Report of the NLMK for 2007;
- Declaration of dividends for 2007;
- Election of Company managing and supervisory authorities;
- Approval of related party transactions;
- Payment of compensation to members of the NLMK Board of Directors.

NLMK GOVERNANCE STRUCTURE



The Extraordinary General Meeting of Shareholders was convened on September 19, 2008, and approved the following decision:

- Payment of dividends for the first half of 2008 in the amount of RUR2.00 per ordinary share.

Board of Directors

The Board of Directors of NLMK is the key element in the corporate governance framework of the Company. The Board of Directors exercises overall control of Company operations, defines its long-term development strategy and acts within the authority defined by the Charter of NLMK and the NLMK Board of Directors Regulations.

Members of the Board of Directors are elected at the General Meeting of Shareholders until the next Annual Meeting. Any shareholder owning in aggregate at least 2% of NLMK Group voting stock is entitled to nominate a Director. Directors are elected by cumulative voting during General Meetings of Shareholders.

Decisions by the Board of Directors are approved by a simple majority of votes of Directors present and voting at the meeting, unless otherwise defined by the Charter and law. Every Director is entitled to one vote for the purposes of voting at Board meetings.

Board meetings are convened by the Chairman of the Board of Directors in accordance with the approved meeting schedule.

Extraordinary meetings of the Board may be convened by the Chairman of the Board at his own initiative, at the request of a Director, the Internal Audit Committee or Auditor of the OJSC NLMK, its executive authority, as well as shareholders owning in aggregate more than 5% of voting stock in the Company.

Chairman of the Board of Directors

The Chairman of the Board of Directors is elected from the members of the Board of Directors. Elections are effected by the majority of the Board members. The Chairman arranges the business of the Board convenes meetings of the Board and presides at these meetings, arranges for recording of proceedings during meetings, arranges for approval of Board of Directors decisions by absentee voting, arranges keeping minutes and presides at the General Meetings of Shareholders or delegates the responsibility of his presidency. The Chairman of the Board supervises the consideration of key issues,

including strategic development plans and priority areas for the activities of NLMK, approval of transactions involving the acquisition of assets of strategic importance for NLMK Group development and the disposal of non-core assets.

Mr. Vladimir S. Lisin, Chairman of the Board of Directors of NLMK, has been a member of the Board for 12 years, and has served as Chairman for 10 years.

Members of the Board of Directors

The Board of Directors of NLMK includes 9 members. In accordance with international governance standards and statutory requirements, the Company seeks to have not less than three independent Directors on the Board. The criteria for independent Directors have been defined in corporate by-laws and are in line with international best practice corporate governance. The Board currently includes 4 non-executive directors.

Background information on Directors and members of the Management Board can be found at the NLMK Group Web-site at: http://www.nlmksteel.com/StandardPage___92.aspx

Board of Directors Activities in 2008

In 2008 the NLMK Group Board of Directors held 10 meetings. Key decisions approved in 2008 include the following:

- Election of the Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, appointment of Corporate Secretary (Secretary of the Board of Directors), establishment of NLMK Board of Directors committees;
- Convening and holding of the 2007 Annual General Meeting of Shareholders of NLMK and the Extraordinary General Meeting of Shareholders of NLMK;
- NLMK participation in the charter capital of other companies;
- Approval of the budget;
- Approval of related party transactions.

As of December 31, 2008 the OJSC NLMK Board of Directors includes the following Directors

Name	Position	Number of years on the Board	Independent	Audit Committee	Strategic Planning Committee	Human Resources, Remuneration and Social Policies Committee
Vladimir Lisin	Chairman of the Board of Directors	12	No		Chairman	
Vladimir Skorokhodov	Deputy Chairman of the Board of Directors	12	No		Member	
Oleg Bagrin	Member of the Board	4	No	Member	Member	
Bruno Bolfo	Member of the Board	1	Yes		Member	
Nikolai Gagarin	Member of the Board	7	No		Member	
Dmitriy Gindin	Member of the Board	4	Yes			Chairman
Karl Doering	Member of the Board	2	Yes		Member	
Randolph Reynolds	Member of the Board	3	Yes	Chairman		
Igor Fyodorov	Member of the Board	6	No	Member	Member	

In the course of the year the Directors have attended the following Board meetings:

	Board of Directors Meetings ¹
Vladimir Lisin	8 (10)
Vladimir Skorokhodov	10 (10)
Oleg Bagrin	9 (10)
Bruno Bolfo	10 (10)
Nikolai Gagarin	10 (10)
Dmitriy Gindin	10 (10)
Karl Doering	10 (10)
Randolph Reynolds	9 (10)
Igor Fyodorov	10 (10)

¹ Number in parenthesis indicates total number of meetings held.

Board of Directors Involvement in Risk Management

An important function of the Board of Directors is the design of an effective system for risk assessment and risk management, one that would allow the Company to gauge its exposure to risks, to mitigate the negative impact of these risks, and to streamline actions required to achieve its objectives.

The Board of Directors assesses strategic risks (identifies Company strengths and weaknesses, its opportunities and threats), approves internal control procedures used for risk management, and supervises compliance with these controls, reviews their effectiveness and encourages their improvement.

Directors' Remuneration and Compensation

Directors are entitled to remuneration subject to performance of their duties in good faith. Any fees paid to remunerate any Director are dependent on the individual's personal participation in the activities of the Board of Directors.

The General Meeting of Shareholders has approved the Regulations for Director Remuneration (Director Remuneration Policy) for members of the NLMK Group Board of Directors, which defines the criteria for remunerating Directors and providing reimbursement of their expenses.

Based on Company performance in a given fiscal year, the Annual General Meeting of Shareholders, acting on the advice of the Human Resources, Remuneration and Social Policies

Committee, may decide to pay a bonus to each Director equal to within 0.1% of the NLMK Group net profits for the reported period, as determined in accordance with the Generally Accepted Accounting Principles (US GAAP). Directors who have failed to attend more than half of the Board of Directors meetings during their tenure are not eligible to receive an annual performance bonus.

Remuneration and Compensation to Board Members in 2008

USD thousands	
Item	2008
Remuneration and Compensation to Board Members	1,883.5

Note: paid in the calendar year.

The Company reimburses Directors for any expenses directly associated with the discharge of their functions, including expenses incurred in connection with soliciting the professional advice of experts in issues raised during Board of Directors meetings, and in connection with foreign translation services of documents or materials used by the Director for their consideration.

Board Committee

For the purposes of handling certain aspects of NLMK Group business, and in accordance with the Board of Directors regulations, the Board of Directors has established the following standing Committees:

- The Strategic Planning Committee;
- The Audit Committee;
- The Human Resources, Remuneration and Social Policies Committee.

Strategic Planning Committee

The Strategic Planning Committee drafts and submits to the Board recommendations regarding priority areas for Company activities and its development strategy, including long-term actions to improve effectiveness, and to promote asset growth, profitability and a stronger investment case.

The Committee includes nine members. In addition to Directors, the Committee includes two members of the NLMK Group Management Board: Mr. Alexey Lapshin, President (Chairman

of the Management Board) and Mr. Vladimir Nastich, First Vice-President and CEO.

In 2008 the Strategic Planning Committee held meetings to discuss the following key issues:

- Key areas for the development of NLMK Group production until 2015;
- Design of the NLMK Group programme for technology upgrade and development for the years 2008-2015;
- Approval of recommendations to the Board regarding the size of dividends payable on shares and procedures for their payment for FY 2007 and the first half of FY 2008.

Audit Committee

The Audit Committee drafts and submits to the Board recommendations regarding the efficient supervision of the financial and business activities of the Company, including annual independent audits of financial statements, the quality of services provided by the auditor and compliance with the requirements for auditor independence. The Committee comprises three Directors.

In 2008 the Audit Committee held 4 meetings to discuss the following key business:

- Drafting and submission for the consideration of the Board the proposal recommending that the Annual General Meeting of Shareholders should approve the RAS financial (accounting) statements and the US GAAP consolidated financial statements of NLMK Group for 2007;
- Review of the draft auditor's report by the NLMK Group Auditor with respect to RAS financial (accounting) statements of NLMK Group for 2007;
- Review of the nominations for the NLMK Group Auditor and auditors of its subsidiaries and affiliates and the development of recommendations for their approval.

Human Resources, Remuneration and Social Policies Committee

The primary purpose of the Human Resources, Remuneration and Social Policies Committee is the development of draft guidance regarding Company personnel policies and remuneration policies for officers of Company executive authorities and members of the Internal Audit Commission.

The Committee also reviews issues pertaining to Company social policies, environmental safety and Federal and municipal government relations.

The Committee includes three members. It is chaired by Mr. Dmitriy Gindin, Director. The other two members of the Committee are Mr. Stanislav Tsyrlin, Vice-President for Human Resources and Management Systems, and Mr. Sergey Melnik, Personnel and General Issues Manager at NLMK.

Internal Audit Commission

The Internal Audit Commission is a full-time internal controls authority exercising continuous supervision over the financial and business activities of the Company.

The Internal Audit Commission operates under the Charter and the Internal Audit Commission Regulations. It audits the financial and business activities of NLMK Group in order to obtain adequate assurance that the activities of NLMK Group comply with applicable Russian Federation laws and do not infringe upon the rights of Company shareholders, and that the Company reports and accounts contain no material misstatements.

The Internal Audit Commission acts in the interests of the shareholders and is elected by the General Meeting of Shareholders for a term of one (1) year.

The report of the Internal Audit Commission is an integral part of the NLMK Group RAS financial statements.

The General Meeting of Shareholders in 2008 elected the following members of the Internal Audit Commission:

Name	Position
Valeriy Kulikov	Chairman
Tatyana Gorbunova	Member
Lyudmila Kladienko	Member
Larissa Ovsyannikova	Member
Galina Shipilova	Member

Management Board

The day-to-day operations of the Company are managed by its sole executive authority, the President (Chairman of the Management Board), and the plural executive authority, the Management Board. The actions of the President (Chairman of the Management Board) and Management Board are governed by laws of the Russian Federation, the Charter of NLMK Group and the Management Board of the NLMK Group Regulations, as approved by decisions made at the General Meeting of Shareholders.

The President (Chairman of the Management Board) is elected at the General Meeting of Shareholders and serves until the next Annual General Meeting, unless otherwise defined by a decision at the General Meeting of Shareholders.

The President (Chairman of the Management Board) manages the day-to-day operations of NLMK, except for issues that fall under the exclusive authority of the General Meeting of Shareholders, the Board of Directors and/or the Management Board, and arranges for the implementation of decisions approved by the General Meeting of Shareholders and the Board of Directors. The composition and number of members of the Management Board are approved by the Board of Directors of NLMK Group with due regard for the opinion of the President (Chairman of the Management Board). Individual members of the Management Board are approved by the Board of Directors based on nominations made by the President (Chairman of the Management Board).

The Management Board as of December 31, 2008

Management Board Member	Position	Meetings ¹
Alexey Lapshin	President, Chairman of the Management Board	31 (31)
Vladimir Nastich	First Vice-President and CEO	28 (31)
Galina Aglyamova	Vice-President, Finance	29 (31)
Igor Anisimov	Vice-President, Technical Upgrade and Construction	27 (31)
Dmitry Baranov	Vice-President, Sales	30 (31)
Alexander Gorshkov	Vice-President, Iron Ore Operations	30 (31)
Yury Larin	Vice-President, Development and Environment	31 (31)
Alexander Saprykin	Vice-President, Coal Operations	30 (31)
Stanislav Tsyrlin	Vice-President, Human Resources and Management System	30 (31)

¹ Number in parenthesis indicates total number of meetings held.

Management Board Members

Mr. Alexey A. Lapshin has been President (Chairman of the Management Board) of NLMK Group since 2006. He was re-elected for a new term on June 6, 2008.

Currently the Management Board of NLMK Group includes nine members.

Management Board Activities in 2008

The Management Board has considered the following key issues in its meetings in 2008:

- Recommendations to the Board of Directors of NLMK Group and management bodies of major subsidiaries and affiliates.
- Review of US GAAP-based financial performance results for NLMK Group in 2008 and the execution of the consolidated budget for NLMK Group of companies.
- Approval of draft decisions regarding issues falling under the mandate of general meetings of shareholders in companies where NLMK Group is the single shareholder.

- Appointment of NLMK Group representatives for participation in meetings of shareholders of subsidiaries, affiliates and other businesses where the Company is a shareholder, founder or member, and approval of voting guidelines for these representatives.
- Approval of the list of significant subsidiaries and affiliates of NLMK.
- Approval of the list of nominees to be elected for the management and supervision bodies of major subsidiaries and affiliates.
- Approval of transactions where the value exceeds 10% of the balance sheet value of NLMK assets as of the most recent reporting date.

External Auditors

As required by the laws of the Russian Federation, the General Meeting of Shareholders of NLMK Group on an annual basis appoints an auditor to review the financial and operating performance of the Company. The Audit Committee drafts proposals for the Board of Directors regarding the nomination of the Auditor of the Company, selected from recognised independent auditors. While drafting its proposals the Audit Committee is guided by the following principles:

- professional qualifications of the auditor;
- quality of services;
- compliance with requirements for auditor independence.

In 2008 the Annual General Meeting of Shareholders, acting on the advice of the Audit Committee, approved ZAO PricewaterhouseCoopers Audit, which performs audits of both RAS and US GAAP-based financial statements, as the Auditor of NLMK.

Company Policy on Related Party Transactions

Related party transactions of NLMK shall be approved based on the requirements of the Russian legislature and according to the Company's Charter. The Company has designed an internal control system which successfully monitors the compliance with the requirements applied to the settlement of related party transactions of NLMK and the procedures by which they were approved.

The mandate of the Management Board includes issuing advice to the Board of Directors of NLMK Group regarding approval of one or several transactions with related parties submitted for the consideration of the Board in connection with its authority.

Information regarding related party transactions executed in 2008 is reported in the appropriate sections of the Group's consolidated (US GAAP) statements and NLMK Group non-consolidated (RAS) statements.

Remuneration to the Management Board

In accordance with the NLMK Group Management Board Regulations, members of the Management Board are entitled to remuneration and reimbursement of expenses in connection with the performance of their duties as members of the Management Board during their tenure.

The terms and conditions for remunerating members of the Management Board are defined by appropriate contracts executed in accordance with the Regulations for Management Board Member Remuneration as approved by the Board based on the advice of the Personnel and Remuneration Committee.