

APPROVED BY

Directive of CEO, OAO TMK

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**REGULATIONS
ON THE CONFLICT OF INTEREST**

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REGULATIONS

on the conflict of interest

1. Purposes and objectives of the Regulations on the conflict of interest

- 1.1. Timely identification of the conflict of interest in activities of employees of Open Joint Stock Company TMK (hereinafter, the "**Company**") is one of the key elements of prevention of corruption offenses.
- 1.2. Regulations on the conflict of interest were developed and approved for the purpose of identification, management and prevention of the conflict of interest in activities of the Company's employees and possible negative effects of the conflict of interest for the Company.
- 1.3. The main objective of these Regulations on the conflict of interest is to limit the influence of private and personal interests of employees on their labor functions, business-decisions, as well as to provide and maintain high standards of corporate management based on the principles of openness, transparency and predictability.
- 1.4. The Committee on Regulation of Compliance Risks of the Company (hereinafter the "**Committee**") is the body of the Company specially authorized to regulate and prevent the conflict of interest.

2. Main notions and definitions

- 2.1. **The Company** – Open Joint Stock Company TMK.
- 2.2. **The Employee** – a person employed by the Company.
- 2.3. **The conflict of interest** – a situation when personal interest (direct or indirect) of the Employee affects or may affect proper performance of his labor duties and when contradiction between Employee's personal interests and rules and legitimate interests of the Company occurs or may occur, which may cause harm to the rights and legitimate interests, property and (or) business reputation of the Company, that employs the Employee.
- 2.4. **Employee's personal interest**, which affects or may affect the objective performance of his labor duties, is the opportunity for the Employee to generate revenue while performing his official duties (unjust enrichment) in cash or in kind, as well as revenue in the form of material benefits directly for the Employee, members of his family or relatives (parents, spouses, children, brothers, sisters, as well as brothers, sisters, parents and children of spouses, children's spouses) or for those people and organizations with which the Employee is bound by financial or other obligations. Employee's personal interest may arise when the benefit is obtained or may be obtained by other persons, for example by Employee's friends or relatives.

2.5. **The Management** – Employee's line manager, heads of units, departments, directorates and other structural subdivisions of the Company, the CEO of the Company and persons authorized by him.

2.6. **Regulations on the conflict of interest** (hereinafter – the "**Regulations**") are a local standard regulation of the Company establishing the procedure for identification and settlement of the conflict of interest, that may arise between the Company's employees while they perform their labor duties.

3. The range of persons subject to the Regulations

3.1. These Regulations apply to all employees of the Company.

4. Main principles of management of the conflict of interest in the Company

4.1. Management of the conflict of interest in the Company is based on the following principles:

- mandatory disclosure of information about the actual or potential conflict of interest;
- individual consideration and evaluation of reputation risks for the Company while identifying each conflict of interest and its settlement;
- confidentiality of the process of disclosure of information on a conflict of interest and its settlement process;
- ensuring a balance between the Company's and the Employee's interests in the settlement of the conflict of interest;
- protection of the Employee against harassment caused by him reporting a conflict of interest, that was timely disclosed by the Employee and settled (prevented) by the Company.

5. Obligations of the employees related to the disclosure and settlement of a conflict of interest

5.1. With regard to disclosure and settlement of the conflict of interest employees of the Company shall:

- not use physical, informational or any other resources of the Company for their own benefit;
- prevent any advertising (direct or indirect) of their own business and/or third parties using resources of the Company, or their official position in the Company, which may infringe the rights and legitimate interests of the Company;
- be guided by the legislation of the Russian Federation, local regulations of the Company, Company's interests and professional ethics when making business decisions and performing their labor duties – without regard to their personal interests, interests of their relatives or friends;
- avoid (if possible) situations and circumstances, which may lead to the conflict of interest;

- evaluate a potential conflict of interest and disclose a potential conflict of interest or a conflict of interest that has occurred;
- facilitate settlement of the conflict of interest that has occurred;
- immediately inform the Committee of any conflict of interest with indication of its parties and nature, as well as of having any part-time job or an own business, other jobs with the benefit for himself and work for the benefit of other persons, which can be in conflict with the Company's interests and affect the labor duties they perform and business decisions taken, and avoid any relations or actions which may hinder making objective and fair decisions before getting the proper recommendations;
- not disclose information, constituting a commercial secret of the Company, as well as trade secrets of customers and partners, with which it has business relations.

6. Obligations of the Company in the sphere of identification and settlement of the conflict of interest

6.1. With regard to identification and settlement of the conflict of interest the Company shall:

- develop measures needed for identification and settlement of the conflict of interest;
- timely identify, prevent and resolve any conflict of interest arising in the Company;
- resolve the conflict of interest, taking into account the balance of interests of the Company and the Employee;
- inform the employees on the essence of the conflict of interest, its prevention and detection;
- summarize the information on the detected and prevented conflicts of interest;
- on a permanent basis, analyze changes in the legislation of the Russian Federation on the identification and prevention of the conflict of interest, as well as international experience and legislation concerning the detection and prevention of the conflict of interest.

7. The procedure for disclosure of the conflict of interest by the Company's employees and the procedure for its settlement, including possible ways to resolve the conflict of interest that has occurred

7.1. Employees of the Company can use the following methods for disclosure of the conflict of interest:

- disclosure of the conflict of interest during the recruitment procedure;
- disclosure of the conflict of interest during the transfer to another position;
- disclosure of situations of the conflict of interest, as they arise;
- disclosure of certain information at the request of the Company.

7.2. Disclosure of the conflict of interest is performed in the written form.

Initial disclosure of the conflict of interest in oral form is allowed with further obligatory written fixation.

- 7.3. The Company undertakes to consider the submitted information and settle the conflict of interest on confidential basis.
- 7.4. The submitted information shall be carefully checked by the authorized officer in order to evaluate the severity of risks for the Company and choose the most appropriate form to settle the conflict of interest.

It should be noted that as a result of this work the Company may conclude that the situation, which was disclosed by the Employee, is not a conflict of interest and, therefore, there is no need for special ways of settlement. In this case the authorized officer, who made the assessment of the information submitted by the Employee, informs the latter in writing that the information disclosed by the Employee is not a conflict of interest.

- 7.5. If a conflict of interest occurs, the Company may use the following ways of its settlement:
- limitation of the Employee's access to specific information which may be related to the personal interests of the Employee without changing the labor function of the Employee;
 - voluntary refusal of the Employee of the Company of participation in the discussion and decision-making on issues that are or may be influenced by the conflict of interest;
 - transfer of the Employee with his or her consent to the position with functional duties not related to the conflict of interest;
 - refusal of the Employee, on his own initiative, from his personal interest, generating a conflict with interests of the Company;
 - dismissal of the Employee, on the Company's initiative, for committing a disciplinary offense, i.e. for nonperformance or improper performance of the labor duties assigned to him on his fault.

The abovementioned list of ways of settlement of the conflict of interest is not limited. In each specific case other ways of settlement can be found on the basis of the agreement between the Company and the Employee who disclosed the conflict of interest.

- 7.6. When settling the conflict of interest, that has arisen, a measure is chosen, which takes into account the interests of both the Employee and the Company. When deciding on a particular way of resolving the conflict of interest the importance of the personal interest of the Employee is taken into account and the probability that the personal interest will be pursued at the expense of the Company is considered.

8. Persons responsible for receiving information about a potential conflict of interest or a conflict that has arisen and for consideration of this information

- 8.1. Officials responsible for receiving information about a potential conflict of interest or a conflict that has arisen are as follows:
- heads of units, departments, directorates and other structural subdivisions of the Company;
 - specialists of departments of the Economic Security Service (when hiring, transferring an employee to another position);

- authorized members of the Committee responsible for combating corruption in the Company.
- 8.2. The information received by the responsible persons is immediately communicated to the senior management of the Company or to the CEO, who appoints the term of its consideration.
- 8.3. The term of consideration of the information about a potential conflict of interest that has arisen shall not exceed three working days.
- 8.4. Consideration of the information that has been received is carried out by the commission composed of the following persons:
- authorized person from the Committee, who is responsible for fighting corruption;
 - head of unit, directorate or another structural subdivision in which the Employee works;
 - legal counsel of the Company.

For the most appropriate settlement of the conflict of interest the Committee can also involve other persons who are not Employees of the Company, when necessary.

Participation of the Employee, who submitted the information on potential conflict of interest or a conflict that has arisen, in the meeting of the Commission is possible on his request.

- 8.5. The information received by the Commission is thoroughly examined and according to it the decision is made whether there is a conflict of interest or not, and how to resolve the conflict of interest that has arisen. The Commission's decision is formally documented in the minutes of meeting and communicated to the Company's management. The Commission's decisions are advisory in nature.

The final decision on the way of settlement of the conflict of interest, if it has occurred, is taken by the management of the Company within three working days from receipt of the minutes of the commission meeting.

9. Notice on a potential or identified conflict of interest

- 9.1. If the Employee is doubtful as to whether a certain situation is a conflict of interest or not, the Employee can directly contact the Committee or the Economic Security Service of the Company.
- 9.2. The ways of reporting the information about a potential or identified conflict of interest by the Employee are as follows:
- by hotline: 8-800-700-8072 (calls are recorded on the answering machine around the clock. Calls from anywhere in the country are free of charge);

and/or

- by sending an email to the following address: 8072@tmk-group.com (The message can be sent from any mailbox);

and/or

- by mail, the address: 40/2a, Pokrovka Street, Moscow, 105062, Russia, Committee on Regulation of Compliance Risks.

10. Liability of the employees of the company for non-compliance with the Regulations on the conflict of interest

- 10.1. For non-compliance with the Regulations on the conflict of interest the Employee may be subject to disciplinary, material or any other types of liability under the laws of the Russian Federation.
- 10.2. These Regulations shall be communicated to all Employees by the following means:
 - placing the document on the P drive and the Corporate portal of TMK;
 - the newly hired employees shall get familiarized with this document against their signature, which is done before signing the employment contract with them;
 - the current employees of the Company shall get familiarized with the document against their signature upon signing of additional agreements to the labor contract.
- 10.3. Amendments (additions) to the present Regulations are made by issuing an appropriate directive of the CEO of the Company and shall be communicated to the employees by placing it on the P drive and the Corporate portal of TMK.