

APPROVED BY
Resolution of the Board of Directors
of OAO TMK dated June 30, 2005

REGULATIONS
ON THE APPOINTMENTS AND REMUNERATION COMMITTEE
OF THE BOARD OF DIRECTORS
of OAO "TMK"

Moscow

2005

1. General

1.1 These Regulations on the Appointments and remuneration Committee (hereinafter, “Regulations”) are the main document governing the activity of the Appointments and remuneration Committee of the Board of Directors of OAO TMK (hereinafter, the “Committee”) and specifying the scope of its competence, the procedure for selecting its members and how it operates.

1.2 The Committee shall be an auxiliary body of the Board of Directors created for preliminary consideration of matters that fall within the competence of the Board of Directors according to the Charter of OAO TMK (hereinafter, the “Company”). The Committee shall not be a body of the Company, and the Company shall not assume civil rights and obligations through the Committee.

1.3 In its actions, the Committee shall be guided by the laws of the Russian Federation currently in effect, the Company's Charter, the Regulations on the Company's Board of Directors and these Regulations.

1.4 In its actions, the Committee shall be accountable to the Company’s Board of Directors.

2. Purpose of the Committee and its sphere of responsibility

2.1 The main purpose of creating the Committee is to improve the effectiveness and quality of the Board of Directors' work by means of preliminary consideration of certain matters within the Board of Directors’ competence and preparation of recommendations to the Board of Directors on matters that fall within the Committee's competence.

2.2 The Committee shall encourage the recruitment of qualified specialists to the management of the Company and shall establish incentives necessary for them to succeed in their work.

2.3 The following matters are within the Committee’s competence:

- (i) Setting criteria for screening nominees to the Board of Directors, General Director, Management Board members and heads of major divisions and pre-screening the candidates for these positions;
- (ii) Defining the principles and criteria for the amount of remuneration and compensation for members of the Board of Directors, the General Director, Management Board members, heads of major divisions and members of the Company’s Internal Audit Commission, as well as other payments to the benefit of these individuals at the Company’s expense (including life and health insurance, non-government pension coverage); defining the principles and criteria for evaluating their performance and preparing recommendations to the Board of Directors on these matters;
- (iii) Developing recommendations on the requirements for candidates for the position of heads of branches and representative offices and for dismissing the heads of these divisions;

- (iv) Reviewing candidates for the position of General Director and early removal of the General Director from office;
- (v) Developing recommendations on the membership of the Management Board and on early removal of Management Board members from office;
- (vi) Developing recommendations on the material terms of agreements with members of the Board of Directors, General Director and Management Board members; reviewing the terms of contracts (supplemental agreements) with members of the Board of Directors, General Director, Management Board members and heads of branches and representative offices;
- (vii) Regularly evaluating the performance of the Company General Director and Management Board members and preparing recommendations for the Board of Directors on their re-appointment; regularly evaluating the performance of members of the Board of Directors;
- (viii) Making recommendations to the Board of Directors on appointing committee members and chairmen of Board of Directors committees and on their early removal from office;
- (ix) Making recommendations to the Board of Directors on establishing new or disbanding existing Board of Directors committees; determining the qualifications and other requirements for committee membership;
- (x) Making recommendations to the Board of Directors on whether candidates for membership on the Board of Directors are Independent Directors according to the definition given in the Regulations on the Company Board of Directors;
- (xi) Reviewing the Company's corporate governance system;
- (xii) Regularly monitoring changes in Russian and foreign legislation with respect to corporate governance standards, principles and procedures; informing the Board of Directors of such changes and reviewing action plans to harmonize the Company's corporate governance system with the best Russian and international corporate governance principles;
- (xiii) Reviewing draft amendments and supplements to the Company's internal regulations and other documents pertaining to the functioning of the corporate governance system for the Company and its individual bodies in preparation for their subsequent consideration and approval by the Company Board of Directors;
- (xiv) Reviewing and approving the Company's personnel policy, including with respect to compensation.

2.4 By decision of the Board of Directors, other matters relating to the Committee's sphere of responsibility may be submitted to it for its consideration.

2.5 When considering questions of the Committee's competence and making decisions on such questions, the Committee shall be guided by the Company's interests and overall development strategy.

3. Members of the Committee

3.1 The Committee shall consist of at least three members.

3.2 The members of the Committee must be Independent Directors according to the definition given in the Regulations on the Company's Board of Directors. If this is not possible for objective reasons, then they must be Independent Directors and Directors Who Are Not Executives of the Company according to the definition given in the Regulations on the Company's Board of Directors.

3.3 The members of the Committee shall be elected by the Board of Directors by a simple majority of the votes of the members of the Board of Directors taking part in the voting, after consultation with the candidates. Early termination of the authority of members of the Committee shall be made by the Board of Directors by a simple majority of the votes of its members.

3.4 The Committee Chairman may only be a member of the Board of Directors who is an Independent Director, as per the definition given in the Regulations on the Company Board of Directors.

3.5 The main tasks of the Committee Chairman shall be to organize the Committee's work and also to ensure objectivity of the Committee's recommendations to the Company's Board of Directors.

3.6 If necessary, experts and consultants who have the necessary professional knowledge may be recruited to work for the Committee.

3.7 The Company's General Director, members of the Company's Board of Directors who are not Committee members, members of the Company's Management Board, members of the Company's Internal Audit Commission, the Company's independent external auditor, the manager of the internal control department, and other Company officials and employees may be invited to the Committee's meetings.

3.8 Each Independent Director, according to the definition given in the Regulations on the Company's Board of Directors, as well as the Chairman of the Board of Directors, shall have the right to attend any meeting of the Committee, regardless of whether he is a member of the Committee, with the exception of those cases when the Committee is reviewing matters in which he has a personal interest, including questions of his remuneration, compensation, and performance evaluation.

3.9 The Secretary of the Board of Directors or someone appointed by decision of the Committee (one of the Committee members or a Company employee) shall act as the Committee's secretary.

4. Creation of the Committee

4.1 The decision regarding creation of the Committee, its members and election of the Committee Chairman shall be made by the Board of Directors after a new Board of Directors has been elected.

4.2 The Committee shall operate until a new Board of Directors is elected.

4.3 The Chairman and members of the Committee should be elected based on their education, professional training, work experience relevant to the Committee's activity, skills in dealing with documentation and other special knowledge needed for the Committee members to exercise their authority. If necessary and with the concurrence of the Board of Directors, professional training may be given to a member or members of the Committee.

5. Committee meetings

5.1 The frequency and length of Committee meetings shall be determined by the Committee Chairman with the concurrence of the Committee members.

5.2 The Committee's work schedule shall be established on the basis of the approved work schedule of the Company's Board of Directors and shall be an appendix to the Board of Director's work schedule.

5.3 With the concurrence of Committee members, the Committee Chairman shall prepare an agenda for Committee meetings. The agenda for each Committee meeting shall be sent to all members of the Board of Directors in advance. The agenda may be amended or supplemented by the mutual consent of all Committee members. If necessary, the Committee may dispense with discussion of items on the agenda of the current meeting in favor of other matters that are of higher priority in the opinion of the Committee members.

5.4 Members of the Board of Directors who are not Committee members, the Company's General Director, members of the Company's Internal Audit Commission, and also experts recruited to work for the Committee, may request the Committee Chairman that any question that falls within the Committee's competence be considered. Such a question may be considered either at the next planned Committee meeting or, if the question is particularly important and permits no delay, at a specially convened meeting of the Committee.

5.5 Meetings shall be convened by the Committee Chairman on his own initiative or at the request of a Committee member, a member of the Board of Directors who is not a Committee member, the General Director, a member of the Company's Internal Audit Commission, or experts recruited to work with the Committee.

5.6 A notice that a Committee meeting will be held must be sent to each Committee member, each member of the Board of Directors who is not a Committee member, and also to persons invited to the Committee meeting, far enough in advance for them to prepare for the Committee meeting, but in any case no later than three business days before the meeting date, and must contain (i) the agenda for the Committee meeting, with a description of the matters to be discussed at the meeting, and (ii) all materials planned to be discussed at the meeting. An invitation for the Company's General Director, members of the Company's Management Board, members of the Company's Internal Audit Commission, other Company officials and employees to attend a

Committee meeting, as well as recruitment of experts to work at the meeting, shall be issued according to a procedure that provides reasonable and sufficient time for those who have been invited to prepare for the committee meeting.

5.7 Committee meetings shall be held with the Committee members present together or by written polling of them. Means of communication (telephone conferences) may be used to hold Committee meetings. Persons invited to participate in the meeting, including Committee members, may submit their opinions in writing regarding items on the agenda.

5.8 A meeting shall be considered quorate if the majority of the Committee members are present at it (or their written opinions have been received by the beginning of the meeting). The absence of a quorum shall mean that the Committee meeting has to be postponed. In exceptional cases, for valid reasons, a meeting may be considered legitimate with a smaller quorum, which must not in any case be less than half of the elected Committee members. The absence of invited experts shall not be grounds for postponing the meeting, however, if items on the agenda cannot be discussed without the presence of those who have been invited, the Committee may decide to postpone the meeting.

5.9 All decisions of the Committee shall be made by a majority of the votes of the Committee members taking part in the meeting, with each Committee member having one vote. In the event of a tie, the Committee Chairman shall have the casting vote in decision making by the Committee. Persons participating in a Committee meeting who are not members of the Committee shall not have a vote.

5.10 Any information regarding a Committee member's interest in considering a particular matter must be disclosed at the Committee meeting.

5.11 The Committee may authorize a Committee member or members to study a certain question within the Committee's competence in detail and inform the Committee of the results obtained in the course of this study.

5.12 The Chairman shall preside over Committee meetings. If the Committee Chairman is absent, one of the Committee members shall preside over the Committee meeting. Minutes of the meeting shall be taken by the Committee secretary and signed by the Committee Chairman. In the course of the meeting, the opinions presented by Committee members and by persons invited to the Committee meeting shall be heard and reflected in the minutes (or attached to the minutes).

5.13 The minutes of a Committee meeting shall indicate:

- The date, place and time that a meeting was held with the Committee members present together (or the date when they were polled in writing or a telephone conference was held);
- A list of the Committee members who took part in the meeting;
- The questions that were put to a vote and the results of the voting on them (indicating how each Committee member who took part in the meeting voted);
- The decisions made.

The minutes of a Committee meeting shall be prepared in two copies.

One copy of the minutes shall be kept by the Committee secretary, who must provide access to the Committee minutes, and also to the materials considered at Committee meetings, to all Committee members.

The second copy of the minutes shall be kept by the Secretary of the Board of Directors in the Board of Directors' centralized archive, which must provide access to the Committee minutes, and also to the materials considered at Committee meetings, to Board of Directors members.

5.14 According to the results of a Committee meeting, a Committee recommendation (hereinafter, the "Recommendation") may be drafted. The Recommendation shall be presented to a meeting of the Board of Directors at which the relevant question is considered. The Recommendation shall reflect the opinion of the Committee as a whole. If the Committee members' opinions do not coincide, then individual opinions should be indicated separately in the Recommendation.

5.15 The Recommendation shall be signed by the Committee Chairman. Materials considered at the Committee meeting may be attached to the Recommendation. The Committee Chairman shall be responsible for timely and complete notification of the Secretary of the Board of Directors about the Recommendation. A Recommendation considered at a meeting of the Board of Directors should be attached to the minutes of the appropriate meetings of the Committee and the Board of Directors.

5.16 As far as possible, a Recommendation to the Board of Directors should be developed by the Committee before materials for a meeting of the Board of Directors are sent to members of the Board of Directors.

If this does not seem possible, the Committee Chairman, after receiving information on the agenda of an upcoming meeting of the Board of Directors, should, if necessary, inform the Secretary of the Board of Directors that for a certain item on the agenda of the meeting of the Board of Directors a Recommendation will be developed and submitted later for consideration at the meeting of the Board of Directors.

5.17 The Secretary of the Board of Directors, in turn, should bring this information to the attention of all members of the Board of Directors in order to give members of the Board of Directors who intend to submit their written opinions an opportunity to take the Committee's Recommendations into account.

5.18 All Committee documents and materials, including minutes of Committee meetings containing information on remuneration and compensation for members of the Board of Directors or other company officers and employees, shall be considered confidential and shall be labeled "Confidential." Access to documents labeled "Confidential" shall be granted to all members of the Board of Directors. Access also may be granted to persons who are not members of the Board of Directors solely upon presentation of the corresponding written dispensation from the Committee Chairman or Chairman of the Board of Directors.

6. Rights and duties of Committee members

6.1 Committee members are obligated:

(i) To actively participate in the Committee's work;

- (ii) To thoroughly and fully study the documents presented for a Committee meeting or at a meeting;
- (iii) To inform the Committee immediately if a Committee member has an interest in making a particular decision;
- (iv) To avoid actions that might compromise the Committee or call into question the professionalism of its members;
- (v) To attend Committee meetings on time and take an active part in discussing items on the agenda;
- (vi) To carry out the decisions made and instructions given at Committee meetings properly and in a timely manner;
- (vii) To review and issue opinions on items on the agenda of a Committee meeting;
- (viii) To keep confidential all information received in the course of preparing and using materials on matters that fall within the Committee's purview.

6.2 Committee members shall have the right:

- (i) To request, through the Secretary of the Board of Directors from the Board of Directors or the Company's Management Board, General Director, independent outside auditor or Internal Audit Commission, information and documents relating to matters within the Committee's competence;
- (ii) To participate in meetings with representatives of the investment community for the purpose of discussing matters that fall within the Committee's competence;
- (iii) To study all materials prepared for Committee meetings.

7. The Committee's cooperation with Company bodies

7.1 The Committee secretary shall handle technical and procedural questions of the Committee's cooperation with other Company bodies.

7.2 The Company's executive bodies must inform the Committee of all significant changes relating to questions that fall within the Committee's competence.

7.3 The Committee is obligated to inform the Board of Directors about its activity by presenting to the Board of Directors reports on the Committee's activity, in a form approved by the Board of Directors, at least once a quarter.

7.4 The Committee is obligated to present to the Board of Directors an annual report on the accomplishment of objectives set for the Committee. With the exception of confidential information, the Committee's annual reports shall be subject to inclusion in the materials to be made available to persons who have the right to participate in the general meeting of shareholders, in preparation for a general meeting of the Company's shareholders.

7.5 Any correspondence or documents from the Committee shall go out through the Committee Chairman and be signed by him.

7.6 The Committee's applications and requests in relation to the Company, or in relation to its subsidiaries and legal entities directly or indirectly controlled by the Company, shall be sent through the Secretary of the Board of Directors.

8. Final provisions

8.1 These Regulations shall be approved by the Board of Directors. Any amendments or additions to these Regulations shall be made by decision of the Board of Directors.