

APPROVED BY
The Annual General Meeting of Shareholders
of PAO “TMK”
On 08 June, 2017
Minutes № no/n dated 13 June 2017
Chairman of the Board of Directors

REGULATIONS

ON AUDIT COMMISSION OF PAO “TMK”

1. GENERAL PROVISIONS

- 1.1 The present regulations have been elaborated in accordance with the Federal Law “On Joint stock companies” and the Articles of Association of PAO “TMK” (hereinafter referred to as the “Company”), on basis of the current laws of the Russian Federation. The regulations determine the status, competence and authority of the Audit commission, the rules of procedure and collaboration with other governing bodies of the Company.
- 1.2 The Audit commission of the Company is also a controlling body over the financial and business activity of the Company, as well as over the execution of the requirements of the current laws of the Russian Federation within the scope of the financial and business activity of the Company and the decisions of the governing bodies of the Company.
- 1.3 The members of the Audit commission in its work must be guided exclusively by the interests of the Company and its shareholders.
- 1.4 The members of the Audit commission in its work must use that information about the activity of the Company, securities of the Company and transactions with them, which is not publicly available and which disclosure may substantially impact the market price of the securities of the Company, and other business and commercial confidential information, only in the interests of the Company and in accordance with the internal documents of the Company.

2. LEGAL STATUS OF THE AUDIT COMMISSION

- 2.1 In accordance with the Articles of Association of the Company the Audit commission of the Company shall be elected by the General Meeting of Shareholders and shall consist of 3 (three) members for the execution of the control over the financial and business activity of the Company, as well as over the execution of the requirements of the current laws of the Russian Federation within the scope of the financial and business activity of the Company and the decisions of the governing bodies of the Company.
- 2.2 The competence and the rules of procedure of the Audit commission of the Company shall be determined by the present regulations, approved by the General Meeting of Shareholders, the Articles of Association as well as the current laws of the Russian Federation.
- 2.3 The term of authority of the Audit commission shall be calculated from the date of its election by the General Meeting of Shareholders until the date of election (re-election) of the Audit commission by the next General Meeting of Shareholders.

- 2.4 The members of the Audit commission can not be simultaneously members of the Board of directors as well as occupy any other positions in the governing bodies of the Company. The shares owned by the members of the Board of Directors of the Company or owned by other persons occupying other positions in the governing bodies of the Company can not participate in voting at the election of the members of the Audit commission of the Company.
- 2.5 By the decision of the General Meeting of Shareholders of the members of the Audit commission of the Company shall receive certain remuneration during the term of their duties, and any expenses connected with the execution of their duties shall be reimbursed to them. The amount of the remuneration and compensation shall be determined by the decision of the General Meeting of Shareholders on the recommendation from the Board of Directors of the Company.

3. CHAIRMAN OF THE AUDIT COMMISSION

- 3.1 The Chairman of the Audit commission shall be appointed by the Audit commission at its first meeting out of the members of the Audit commission by the majority of the total number of the members of the Audit commission.
- 3.2 The Chairman of the Audit commission shall perform a general supervision of the activity of the Audit commission, preparation of its working plans, convocation and arrangement of the meetings, acts as chairman at such meetings, distributes responsibilities and duties between the members of the Audit commission, signs minutes, conclusions and other documents of the Audit commission, takes decisions on other required issues.

4. MEETINGS OF THE AUDIT COMMISSION

- 4.1 The members of the Audit commission as well as any invited person shall take part in the meetings of the Audit commission. The members of the Audit commission shall be obliged to be present at the meetings in person. Their powers can not be transferred to any other persons including on basis of a power of attorney.
- 4.2 The General Director of the Company, the members of the Board of Directors, the members of the Management Board, the independent internal auditor of the Company, the head of that structural unit performing functions of the internal control, other officials and employees of the Company can be invited to the meetings of the Audit commission.
- 4.3 The periodicity and duration of the meetings of the Audit commission shall be determined by the Chairman of the Audit commission in coordination with its members, however the number of such meetings of the Audit commission during a year shall not be less than four.
- 4.4 The Chairman of the Audit commission in coordination with the members of the Audit commission shall make up an agenda of each meeting of the Audit commission. The agenda of each meeting of the Audit commission shall be forwarded to all the members of the Audit commission in advance. Upon the mutual consent of all the members of the Audit commission the agenda may be amended or changed. If required, the Audit commission can refuse to discuss any issue provided by the agenda of the current meeting in favour of any other, of more priority, in opinion of the members of the Audit commission.
- 4.5 The meeting shall called by the Chairman of the Audit commission on its own initiative or at the request of the members of the Audit commission.

- 4.6 The calling notice of the meeting of the Audit commission shall be forwarded to each member of the Audit commission as well as to other persons invited to the meeting of the Audit commission within the reasonable period of time which should be sufficient for the preparation for such meeting of the Audit commission, but in any case not later than three working days prior the meeting and should contain (i) agenda of the meeting of the Audit commission with the description of items put for discussion at such meeting and (ii) all the materials required for discussion at the given meeting. The invitation of the General Director of the Company, other executive officers and employees of the Company for the meeting of the Audit commission, as well as any experts shall be made in such a way that will give the invited persons reasonable and sufficient time to prepare for such meeting of the Audit commission.
- 4.7 The meeting of the Audit commission shall be considered legitimate if not less than 2/3 of all the members of the Audit commission take part in it.
- 4.8 Each member of the Audit commission shall have one vote.
- 4.9 The decisions at the meetings of the Audit commissions are taken by simple majority of votes of its members present at the meeting. In case of equal numbers of votes the vote of the Chairman of the Audit commission shall not have a casting vote.
- 4.10 The members of the Audit commission left in minority shall be entitled to provide their minority opinion in writing which shall be attached to the minutes of the meeting of the Audit commission.
- 4.11 During the meeting of the Audit commission the minutes shall be taken duly signed by the chairman of the meeting of the Audit commission. The minutes of the meeting shall be prepared not later than 3 (three) days after the meeting.

5. COMPETENCE OF THE AUDIT COMMISSION

- 5.1 The Audit commission shall carry out revisions of the financial and business activity of the Company basing on the documentation connected to its financial and business activity of the Company not less than once per year, including the revision of the financial and business activity of the Company as of the results of the year. The revisions can be carried out at the decision of the General Meeting of Shareholders, the Board of Directors or at the request of a shareholder (shareholders) holding in total not less than 10% of the voting shares of the Company as well as on the own initiative of the Audit commission.
- 5.2 During the performance of its functions the Audit commission shall carry out the following types of revisions:
- Revision of documentation related to the financial and business activity of the Company, revision of accordance of the data reflected in the accounting (financial) statements to the data provided by the bookkeeping records and primary accounting documents; revision of the compliance of the contracts concluded on behalf of the Company, executed transactions and settlements with the counterparties with the current legislation;
 - Analysis of the compliance of the book-keeping and statistical accounting records with the existing statutory regulations;

- Confirmation of the abidance by the Company of requirements set by the current laws of the Russian Federation within the frames of the conduction of the financial and business activity;
- Analysis of the financial situation of the Company, its creditworthiness, asset liquidity, ratio of worn to loaned funds, recognition of reserves available for the improvement of the economic situation of the Company and preparation of the recommendations for the governing bodies of the Company;
- Revision of the timely and correct settlements with the suppliers of goods and services, in accordance with the current contracts; timely and correct payments to the budget, deductions and payments of dividends on shares and interests on bonds, settlement of other obligations;
- Revision of the correct preparation of the accounting (financial) statements (including the balance sheet) of the Company, tax (income) returns, statistical returns, reporting forms to the non-budgetary funds and other reporting forms submitted to various government bodies;
- Revision and confirmation of accruacy of data reflected in the report on related party transactions concluded by the Company, the information on which is provided to the shareholders of the Company within the frames of the preparation to the annual general meeting of the shareholders of the Company;
- Revision of presence and status of title establishing and consent documents required for the conduction of the business activity of the Company;
- Revision of the execution of decisions of the governing bodies of the Company (the General meeting of the shareholders, the Management board, the General director of the Company and the Board of Directors of the Company);
- Revision of decisions taken by the Board of Directors, other executive bodies of the Company (the Management Board, the General Director), their compliance with the Articles of Association and to the decisions of the General meeting of the shareholders and their execution;
- Analysis of decisions of the General meeting of the shareholders and their execution;
- Revision of execution of acts of the external (governmental) controlling authorities;
- Revision of execution of the internal documents of the Company;
- And other actions required for the performance of the functions of the Audit commission in accordance with the current laws of the Russian Federation.

6. RIGHTS AND POWERS OF THE AUDIT COMMISSION

6.1 For the purposes of the performance of their functions the Audit commission shall be entitled to:

- Take decision on a conduction of and execute annual and extraordinary revisions of the financial and business activity of the Company;
- Obtain from the governing bodies of the Company, its departments and divisions, its executive officers all the documents demanded by the Audit commission, which are required for the

performance of their duties. Such documents must be provided to the Audit commission within 5 (five) working days after the receipt of the written request;

- Demand from the authorized persons the convocation of the Board of Directors, extraordinary general meetings of the shareholders in cases when a breach in the operating and business, financial and legal activity or a threat to the interests of the Company requires taking decisions on issues falling under the competence of the given governing bodies of the Company;
- Request explanatory information from the employees of the Company including any executive officer on issues falling under the competence of the Audit commission;
- Demand the presentation of cash funds of the Company by the responsible persons, securities, tangible assets, primary accounting documents and reports, registering records, reporting forms, plans, budgets and other documentation including confidential documents as well as provision of copies of the abovementioned documents;
- Demand the conduction of inventory checks of the tangible assets of the Company, controlling measurement of executed works, the sealing of the cash registering machines, warehouses, storage rooms and other business premises;
- Review accuracy and correctness of the reflection of income and expenses of the Company in the accounting (financial) statements and reporting forms;
- Submit to the governing bodies of the Company any proposals to bring actions provided by the current laws of the Russian Federation against employees, including any executive officers of the Company, whose acts caused damage and/or outraged legal rights and interests of the Company;
- Demand from the governing bodies of the Company to remedy any failures discovered during the revisions;
- Retain in a due order any external counsels and experts on contractual basis as well as employees of the Company;

6.2 Upon the request of the Audit commission of the Company any persons occupying positions in the governing bodies of the Company shall be obliged to provide documents on the financial and business activity of the Company.

6.3 The Audit commission shall be entitled to demand a calling of an extraordinary meeting of the general meeting of the shareholders in accordance with the article 55 of the Federal Law "On Joint stock companies".

6.4 The Company represented by its General Director shall ensure financial support including approves a budget of the Audit commission and the organizational and technical support of the activity of the Audit commission and its members.

7. RESPONSIBILITIES OF THE AUDIT COMMISSION AND ITS MEMBERS

7.1 The Audit commission shall be obliged to:

- Study in a proper manner all the documentation related to the subject of the revision during the conduction of the annual and extraordinary revisions;
- Notify the results of the conducted revisions in due time to the General meeting of the shareholders, the Board of Directors, the Management Board and the General Director in form of written reports, explanatory notes, information notes during the meetings of the governing bodies of the Company;
- Observe regulations on the commercial secret information, not to disclose any confidential information which the members of the Audit commission have access to during the performance of their functions;
- Demand from the authorized bodies a calling of an extraordinary general meeting of the shareholders in case of a real threat to the interests of the Company.

7.2 In case of a discovery of any breach a member of the Audit commission shall forward a written description of the breach that requires to be remedied to the Chairman of the Audit commission.

7.3 In case during the term of his/her powers a member of the Audit commission terminates his/her functions, he/she shall notify the Board of Directors one month prior the termination of the service as a member of the Audit commission. In this case the General meeting of the shareholders shall replace that member of the Audit commission at the next meeting.

8. ORDER OF CONDUCTION OF REVISIONS

8.1 The revision of the financial and business activity of the Company shall be conducted as of the annual results of the Company or on its own initiative of the Audit commission.

8.2 In case of initiating of the revision by the governing bodies of the Company or its shareholders, as per the clause 5.1 of the present Regulations, the request for such revision (hereinafter referred to as the "Request") shall be forwarded to the Audit commission of the Company.

Within 5 (five) working days from the date of the submission of the request the Audit commission shall take a decision on conduction of a revision of the financial and business activity of the Company or shall give a motivated refusal to conduct one.

Within 3 (three) working days after the receipt of the request the Chairman of the Audit commission shall convene a meeting of the Audit commission.

Upon taking a decision on the conduction of the revision by the Audit commission, the Chairman of the Audit commission shall organize such revision and start its implementation.

The initiators of the revision of the financial and business activity of the Company shall be entitled to call off its request at any time prior the adoption of a decision of the Audit commission to conduct such revision by sending a written notice to the Audit commission.

8.3 During the conduction of revisions the Audit commission shall study all the existing documentation related to the subject of the revision and upon the completion of the revision of the financial and business activity of the Company shall make up a conclusion which shall contain:

- Confirmation of the accuracy of the information provided in the reports and other financial documents of the Company;

- Information about breaches in the order of maintenance of accounting records and preparation of the financial statements determined by the legal acts of the Russian Federation as well as information about any violations of the legal acts of the Russian Federation during the conduction of the financial and business activity.

8.4 The conclusion upon the results of the revision of the annual report and the annual accounting (financial) statements of the Company as well as the confirmation of the accuracy of the information contained in the report on related party transactions of the Company during the accounting year shall be forwarded to the Board of Directors of the Company by the Audit commission not later than in 15 (fifteen) working days after the signing of the annual accounting (financial) statements by the authorized person.