

**ADOPTED BY**

**The General meeting of shareholders of  
PAO "TMK"  
On the 23<sup>rd</sup> of June, 2015  
(Minutes №N/N dated 23<sup>rd</sup> June, 2015)**

**REGULATIONS OF THE MANAGEMENT BOARD  
OF PAO "TMK"**

**Moscow  
2015**

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## **1. GENERAL PROVISIONS**

- 1.1. The Management board of PAO "TMK" (hereinafter referred to as the "Management board") in accordance with the Articles of Association of PAO "TMK" (hereinafter referred to as the "Company") is the collegial executive body, which alongside with the General director of the Company (hereinafter referred to as the "General director") performs current management of the Company.
- 1.2. The main task of the Management board is the implementation of the stated goals of the Company, organization together with the General director of the current management of the Company in accordance with the Articles of Association, the present Regulations and the legislation of the Russian Federation.
- 1.3. The functioning of the Management board and the General director is based on the principle of distribution of competences of the sole and collegial executive bodies of the Company. The General director is not entitled to take decisions on matters, which fall under the competence of the Management board.
- 1.4. In its activity the Management board relies upon the Civil code of the Russian Federation, the Federal Law "On Joint-stock companies", other legal regulatory acts of the Russian Federation, the Articles of Association of the Company, decisions of the General meetings of shareholders of the Company (hereinafter referred to as the "General meeting") and the Board of Directors of the Company (hereinafter referred to as the "Board of Directors"), internal regulatory acts of the Company, as well as on the present Regulations.

## **2. COMPOSITION OF THE MANAGEMENT BOARD, ORDER OF ITS FORMATION AND TERMINATION OF POWERS OF THE MEMBERS OF THE MANAGEMENT BOARD**

- 2.1. The number of members of the Management board is determined by a decision of the Board of Directors, but can not be less than 7 (seven) and not more than 15 (fifteen) members. The members of the Management board are approved and appointed by the Board of Directors for a period of 1 (one) year.
- 2.2. The General director within 5 days after his/her election by the Board of Directors presents for approval of the Board of Directors candidates for the Management board. The Board of Directors can reject certain candidates to the Management board.
- 2.3. The Management board is subordinated to the Board of Directors and the General meeting.
- 2.4. The General director performs functions of the chairman of the Management board. In absence of the General director (the Chairman of the Management board) at meetings of the Management board the functions of the chairman of the Management board are performed by any of the members of the Management board upon a decision of the majority of the members of the Management board participating at those meetings.
- 2.5. The formation of the Management board and the early termination of its powers is conducted in accordance with a decision of the Board of Directors.
- 2.6. The powers of the members of the Management board can be terminated on the following grounds:
  - expiration of the term of powers of the Management board. If the new composition of the Management board is not elected for a new term, the powers of the former composition of the Management board are extended until the date of election of the new composition, but in any case for a period of not more than 30 (thirty) calendar days;
  - adoption by the Board of Directors of a decision on an early termination of powers of the members of the Management board (a member of the Management board);
  - Termination of powers of a member of the Management board on his/her own initiative on basis of the written request to the General director and the Chairman of the Board of Directors;

- Other grounds provided by the legislation of the Russian Federation.

2.7. For the support of the Management board upon its decision a secretary of the Management board is appointed out of the members or the employees of the Company (hereinafter referred to as the “Secretary”). The Secretary under the guidance of the chairman of the Management board prepares meetings of the Management board, arranges collection of materials on items of agenda, their systematization and delivery to the members of the Management board, preparation and correction of draft decisions of the Management board, keeps records of the documents related to the activity of the Management board.

### **3. COMPETENCE OF THE MANAGEMENT BOARD**

3.1. The competence of the Management board includes matters related to the current management of the Company, excluding matters, which fall under the competence of the General meeting, the Board of Directors or the General director.

3.2. The Management board together with the General director provides execution of decisions of the General meeting and the Board of Directors.

3.3. The competence of the Management board includes the following:

- (1) adoption of decisions on approval of transactions with promissory notes (issuance/granting of own promissory notes of the Company; usage of promissory notes issued by the third parties; avalization of promissory notes of third parties) if the value of a promissory note exceeds 3 (three) million US dollars (or equivalent amount in roubles calculated at the rate of Bank of Russia as of the date of approval). If during 30 (thirty) days the Company concludes such transactions with promissory notes, the aggregate value of which exceeds 15 (fifteen) million US dollars (or equivalent amount in roubles calculated at the rate of Bank of Russia as of the date of the transaction), all subsequent transactions with promissory notes within the given period shall be executed only on basis of approval of such transactions by the Management board, and if during the given period the Company concludes transactions with promissory notes, the aggregate value of which exceeds 30 (thirty) million US dollars, all subsequent transactions with promissory notes within the given period shall be concluded only on basis of approval of such transactions by the Board of Directors in accordance with sub-clause (31) of clause 15.2 of the Articles of Association of the Company;
- (2) implementation of a general strategy of development of the subsidiaries of the Company, including conduction of unified production, technical, financial, pricing, sales, social and personnel policies, coordination of activities of the subsidiaries of the Company;
- (3) support in efficient operative current management of the Company, including:
  - 3.1. development of a consolidated opinion of the management of the Company, execution of the current business policy of the Company on main directions of the activities of the Company: marketing and sales, production, investment and innovative activity, economics and finance, staff and social programs;
  - 3.2. control of execution of quarterly production plans and product shipment plans (within the annual performance benchmarks, approved by the Board of Directors within the limits of the annual budget of the Company) of the Company and the subsidiaries of the Company;
  - 3.3. monitoring of performance of quarterly income and expense budgets, profit and loss statements and quarterly cash flow statements of the Company (within the annual performance benchmarks, approved by the Board of Directors within the limits of the annual budget of the Company);
  - 3.4. budget performance monitoring of the sales subsidiaries of the Company;

- (4) regular reporting to the Board of Directors about the financial situation of the Company, execution of the priority programs, transactions and decisions, which can materially influence the state of business of the Company;
- (5) financial, organizational and technical support of the activity of the General meeting, the Board of Directors, the Audit commission of the Company;
- (6) analysis and summarization of performance results of certain structural units of the Company, as well as the preparation of recommendations for improvement of functioning of some structural units of the Company and the Company in general;
- (7) preparation of proposals on main parameters and terms of issuance of issuable securities, dividend policy;
- (8) adoption of decisions on other matters of business and financial activity of the Company prior the submission of such matters for approval by the Board of Directors.

#### **4. RIGHTS, OBLIGATIONS AND RESPONSIBILITY OF THE MEMBERS OF THE MANAGEMENT BOARD**

4.1. The rights and obligations of the members of the Management board are determined by the legislation of the Russian Federation, other legal regulatory acts of the Russian Federation and the agreement, which is concluded between each member of the Management board and the Company. Such agreement on behalf of the Company shall be signed by the Chairman of the Board of Directors or any other person authorized by the Board of Directors.

4.2. The members of the Management board are entitled to:

- initiate a convocation of a meeting of the Management board through the offices of the General director;
- propose items of agenda for discussion at a meeting of the Management board;
- Vote on items of the agenda of a meeting of the Management board;
- Take any other actions necessary for the execution of decisions of the General meeting, the Board of Directors and the Management board;
- Have access to any information related to the activity of the Company and necessary for the performance of his/her functions;
- exercise any other rights, provided by the legislation of the Russian Federation, the Articles of Association of the Company, the present Regulations and other internal documents of the Company.

4.3. The members of the Management board are obliged to:

- be loyal towards the Company, act in its interests; exercise his/her rights and perform his/her duties in good faith and fairly;
- participate in the meetings of the Management board and decision making process;
- Not to use resources of the Company and not to allow their usage for other purposes except for those provided by the Article of Association of the Company. The term "resources of the Company" within the meaning of the present clause includes all property and non-property rights owned by the Company, business resources, information about the activity and plans of the Company, any rights and information which has any commercial or business value for the Company;
- notify in a written form the Board of Directors, the Audit commission and the auditor of the Company about:
  - (a) any legal entities in which a member of the Management board individually or jointly with his/her affiliated parties holds 20 (twenty) percent or more of the voting shares (participation);
  - (b) any legal entities, in which he/she forms part of any governing body;

- (c) any interest in the concluded or planned transactions of the Company, as well as of any other conflict of interest of a member of the Management board and the Company in respect of any existing or planned transaction, until the date of the adoption of the decision about the conclusion of such transaction.
  - (d) holding of any securities of the issuer, as well as of disposal and (or) purchase of securities of the issuer.
- not disclose any confidential information about the activity of the Company;
  - perform any other duties provided by the legislation of the Russian Federation, the Articles of Association of the Company, the present Regulations and other internal documents of the Company.
- 4.4. Occupation of positions (titles) by the members of the Board of Directors in the governing bodies of other entities is permitted only with the consent of the Board of Directors.
- 4.5. The members of the Management board may not be employed by the Company, occupying positions, particularly, of the directors of its subsidiaries.
- 4.6. A person who is a member (shareholder), officer or any other employee of another legal entity which is a competitor of the Company, with the exception of the subsidiaries of the Company and any other legal entities which are directly or indirectly controlled by the Company, can not be appointed as a member of the Management board.
- 4.7. The members of the Management board are responsible for any loss, incurred to the Company with their wrongful acts (omissions). Herewith those members of the Management board who voted against such decision that resulted in a loss for the Company and those members who have not taken part in the voting, shall not be responsible for such wrongful acts (omissions).
- 4.8. In case several members of the Management board are responsible, their responsibility towards the Company is joint and several.
- 4.9. At the determination of grounds and amount of liability of the members of the Management board terms of an ordinary course of business, average business risks and other circumstances, material for the case, should be taken into consideration.

## **5. ORGANIZATION OF FUNCTIONING OF THE MANAGEMENT BOARD**

### *5.1. Terms and order of convocation of meetings of the Management board*

- 5.1.1. The meetings of the Management board are convened by the General director on his/her own initiative in terms determined by the General directors but not less than once per month.
- 5.1.2. Agendas of the meetings of the Management board are developed by the General director taking into account proposals from the members of the Management board.
- 5.1.3. Proposals for the agenda of the meetings of the Management board are forwarded in a written form to the General director.  
Such proposal should contain:
  - initiator of the convocation of a meeting;
  - matter for discussion by the Management board and reasons for its inclusion in the agenda;
  - draft of a decision of the Management board with all the necessary materials;
  - a note containing all the necessary information with regard to the matter to be discussed with all and any attached materials (calculations, diagrams, schemes, legal opinions, etc).
- 5.1.4. The General director through the offices of the Secretary distributes to the members of the Management board a convocation notice about the planned holding of a meeting of the Management board not later than 3 (three) working days prior the date of the meeting of the Management board. The convocation notice must contain the agenda of

the meeting, proposed decisions, as well as the documents and materials for the meeting.

*5.2. Order of holding of meetings of the Management board*

- 5.2.1. The meetings of the Management board are conducted in form of a joint physical presence of the members of the Management board or in form of an absentee voting.
- 5.2.2. The quorum for a meeting of the Management board must be not less than half of the elected members of the Management board. The quorum is determined by the chairman of the meeting at its opening. In case if the number of the members of the Management board becomes less than the required quorum, the Board of Directors must take a decision on election of the new composition of the Management board.
- 5.2.3. It is permitted to participate in the meetings of the Management board via TV-, phone- or video-conference. A member of the Management board participating in a meeting by means of TV- and telephone conference, is counted in the quorum of the meeting as present and has all the rights of a physically present participant of the meeting, including the voting right.
- 5.2.4. The meetings of the Management board are chaired by the General director, who opens the meeting of the Management and confirms the presence (absence) of the members of the Management board. In case of absence of the General director at any meeting the functions of the chairman of the Management board are performed by one of the members of the Management board, who is elected by a decision of the majority of the present members of the Management board.
- 5.2.5. Other employees of the Company and of its subsidiaries can be invited for the meetings of the Management board, as well as other persons who prepared information and materials for discussion at the meeting.
- 5.2.6. The members of the Board of Directors have the right to participate in the meetings of the Management board and express their opinion on discussed matters, which is taken into consideration during a decision-making process.
- 5.2.7. At the meetings of the Management board the time for a main speech is limited to 15 minutes, for joint reports and debates – to 5 minutes, for notes – to 3 minutes. In certain cases the chairman of the meeting of the Management board can extend the time of a speech. The members of the Management board and persons invited for discussion of certain matters, can participate in debates, present proposals, make notes, render information on discussed matters.
- 5.2.8. Minutes is kept at a meeting of the Management board. Keeping of the minutes of the meetings of the Management board is a duty of the Secretary. The minutes of a meeting is signed by the General director and the Secretary. The information contained in the minutes of a meeting of the Management board is considered confidential, not subject to disclosure, if otherwise provided by the regulatory legal acts of the Russian Federation.
- 5.2.9. The minutes of a meeting includes:
  - date, place and time of the meeting;
  - list of the members of the Management board present at the meeting, with indication of the quorum as well as the list of invited persons;
  - agenda of the meeting;
  - items for voting and voting results;
  - taken decisions.
- 5.2.10. The copy of the minutes is sent to the members of the Management board by electronic mail, fax or other means. The copy of the minutes of the meeting of the Management board is provided to the members of the Board of Directors, the Audit commission, the auditor of the Company upon their written request addressed to the General director.

- 5.2.11. The storage and use of the minutes of the Management board in the current work are provided by the Secretary. The minutes of the meetings of the Management board are kept at the place of the principal business of the General director.
- 5.2.12. Extracts from the minutes of any meeting of the Management board are prepared and signed by the Secretary, sealed with the certifying stamp of the Company and forwarded to the interested persons within 3 (three) working days after the date of the meeting.
- 5.2.13. The extract of the minutes includes:
- number of the minutes;
  - date and place of the meeting;
  - list of the members of the Management board present at the meeting, with indication of the quorum as well as the list of invited persons;
  - extracted item of the agenda of the meeting;
  - decisions taken on the extracted item of the agenda or certain quotations;
  - voting results.
- 5.2.14. For the improvement of quality of the preparation of the final documents of a meeting of the Management board the Secretary is permitted to use a dictating machine. Any obtained phonograms of the meeting of the Management board are strictly confidential. After the preparation of the final documents of the meeting of the Management board the phonograms used for this purpose must be destroyed. The Secretary is responsible for compliance with the working rules in respect of the phonograms, made during the meetings of the Management board.

*5.3. Decision making process and execution of decisions at meetings of the Management board*

- 5.3.1. The members of the Management board have equal rights during the discussion of all matters at the meetings of the Management board.
- 5.3.2. Each member of the Management board has one vote.
- 5.3.3. The delegation of the voting right by any member of the Management board to any other person, including any other member of the Management board, is not permitted.
- 5.3.4. Decisions of a meeting of the Management board are taken by an open voting of the majority of the members present at such meeting of the Management board.
- 5.3.5. In case of tie the General director, the chairman of the meeting, has a casting vote. Such casting vote shall not be valid in case any other person, other than the General director of the Company, chairs the meeting.
- 5.3.6. An absent member of the Management board has the right to provide a written opinion to the General director before the end of the meeting on any item of the agenda of the meeting. The written opinion provided by that member of the Management board is attached to the minutes of the meeting and counted for quorum and voting results.
- 5.3.7. In case of a disagreement with any taken decision a member of the Management board is entitled to provide a written exception report, which is subject to attachment to the minutes of the meeting of the Management board.
- 5.3.8. The procedure of decision taking on holding and preparation of an absentee voting is the same as the procedure established for a present meeting of the Management board. At any absentee voting each member of the Management board is provided with a ballot paper which contains:
- item of the agenda on which the members of the Management board must provide an opinion;
  - established term and order of provision of the completed ballot paper. The ballot paper must be signed by the member of the Management board. The opinion of the member of the Management board must be univocal.



In case of taking decisions in an absentee form (by ballot papers) the ballot papers of those members of the Management board, who take part in the absentee voting, must be attached to the minutes of the meeting of the Management board.

- 5.3.9. All the decisions of the Management board are mandatory for the Company. The decisions of the Management board which contain directives to the subsidiaries, are mandatory for implementation by the subsidiaries. Most important decisions for the Company are formulated in a form of an order or instruction of the General director of the Company. Other decisions of the Management board are delivered to the corresponding responsible persons in form of an extract from the minutes of the meeting of the Management board.
- 5.3.10. Implementation of decisions of the Management board is arranged by the General director. Decisions of the Management board are subject to implementation in terms established in such decisions. If the term is not established in the decision, such decision is subject to implementation within 5 (five) working days from the date of its adoption.
- 5.3.11. The General director is responsible towards the Company for implementation of decisions of the Management board taken in accordance with the competence of the Management board.

#### *5.4. Control of decision execution of the Management board*

- 5.4.1. The General director through the offices of the Secretary arranges notification of responsible persons on decisions and orders taken by the Management board.
- 5.4.2. The General director through the offices of the Secretary organizes monitoring of implementation of decisions taken by the Management board. For this purpose the Secretary on a weekly basis requests information on the status of implementation of decisions from the responsible persons.  
Basing on the received information the Secretary on a weekly basis reports to the General director on the status of implementation of decisions of the Management board.
- 5.4.3. Status of the implementation of the decisions of the Management board can be put for discussion at a meeting of the Management board on an initiative of the General director, the members of the Management board or the Board of Directors.
- 5.4.4. The General director takes all administrative measures against the structural units/employees of the Company, who fail to provide a proper implementation of the decisions of the Management board.

## **6. APPROVAL AND AMENDMENT OF THE REGULATIONS OF THE MANAGEMENT BOARD**

- 6.1. The Regulations on the Management board, as well as all the amendments and modifications to it are adopted by the General meeting of shareholders of the Company by a majority vote of the shareholders, taking part in the meeting.
- 6.2. Proposals for amendment and modification of the Regulations are presented in an order established by the provisions of the Articles of Association of the Company in respect of the submission of proposals to the agendas of the annual or extraordinary General meeting of the shareholders.