

ADOPTED BY
The Board of Directors of
ОАО “ТМК”
Minutes dated 29 June, 2012

REGULATIONS OF INTERNAL CONTROL
of ОАО “ТМК”

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1. GENERAL PROVISIONS

- 1.1. The present Regulations of internal control of OAO “TMK” (hereinafter referred to as the “Regulations”) is developed in accordance with the current legislation of the Russian Federation, Articles of Association of OAO “TMK” (hereinafter referred to as the “Company” or “OAO “TMK””), Regulations of the Board of Directors of OAO “TMK”, Regulations of the Audit committee of the Board of Directors of OAO “TMK”, Regulations of the Management Board of OAO “TMK”, Corporate governance code of OAO “TMK”, Regulations of insider information of OAO “TMK”, regulations of structural units of the Company and other internal regulatory documents of the Company.
- 1.2. The present Regulations is the internal document of the Company determining the purpose and objectives of the internal control system, principles and procedures of internal control as well as the bodies of the Companies and officers responsible for internal control.
- 1.3. With the purpose of provision of the unified approach to the organization of the efficient functioning of the internal control system of the Company, the internal control procedures, provided by the present Regulations, are subject to implementation and application in all the entities and organizations of TMK Group, through existing instruments of the corporate governance and other methods of securing the interests of OAO “TMK” in respect of the financial and business activity of its subsidiaries.

2. TERMS AND DEFINITIONS

- 2.1. The general terms and definitions used for the purposes of the present Regulation are the following:

Internal control – a system of procedures implemented by the Board of Directors, executive and controlling bodies, officers and other employees of the Company designated for provision of efficiency of the operative and investment activity of the Company, reliability and accuracy of all types of statements and reports of the Company, compliance with the current legislation and the internal regulatory documents of the Company.

Internal control system – a totality of controlling bodies and procedures (methods) of control.

Internal audit – is an integral part of the internal control system of the Company – activity for evaluation of reliability and efficiency of internal control, risk management system, efficiency and cost-effectiveness of business management as well as the provision of certain consulting support to the management of the Company during the development of systems and procedures of internal control.

TMK Group - OAO “TMK”, its subsidiaries and related companies (entities).

Subsidiary – an entity, in which another (first) entity or organization due to the majority holding in its share (charter) capital or on basis of an agreement concluded between them or in any other way has the capacity to adopt decisions taken by such entity or influence (directly or indirectly) on taking of such decisions.

Related company (entity) – an entity in which another (major) entity holds more than 20 percent of the voting shares or participation in the share (charter) capital.

TMK Group entity/organization – a legal entity forming part of TMK Group (consolidated within the group).

3. PURPOSE, TASKS AND PRINCIPLES OF INTERNAL CONTROL

- 3.1. The main purpose of the internal control is the prevention of risks in the financial, business and investment activity of the Company, timely response and taking actions for their elimination, identification and collection of all the internal operative capacities and reserves for making the company profitable and provision of support the management of the Company in the efficient performance of their management functions.
- 3.2. For the achievement of the stated purpose the internal controls performs the following tasks:
- 3.2.1. achievement of the stated strategic goals of the development of the Company and implementation of its financial and business plans.
 - 3.2.2. provision of trust of investors to the Company and its governing bodies, protection of investment of the shareholders and assets of the Company;
 - 3.2.3. safeguard of assets and efficient usage of resources of the Company;
 - 3.2.4. provision of efficient prevention, timely identification and analysis of risks in the activity of the Company for the highest achievement of the stated goals of OAO “TMK”;
 - 3.2.5. provision of completeness, reliability, relevance and accuracy of the financial, accounting and management information and statements of the Company;
 - 3.2.6. compliance with the current legislation of the Russian Federation in those activities that are subject to regulation; compliance with the reporting standards applied in TMK Group as well as with the internal policies, regulations and procedures of the Company.
 - 3.2.7. effective prevention, identification and elimination of defects and breaches during the execution of financial and business operations of OAO “TMK”.
- 3.3. The internal control of OAO “TMK” is based on the following key principles:
- 3.3.1. **Continuity:** the internal control system functions on a continuous basis and allows to identify defects in a timely manner and prevent their repetition in future;
 - 3.3.2. **Integration:** the internal control system is an integral part of the corporate governance system of the Company;
 - 3.3.3. **Integrity:** the internal control system covers all the directions of the Company’s activity and all the business processes at all levels of management;
 - 3.3.4. **Functionality:** the distribution of responsibilities for risk management in accordance with the distribution of functional duties in the Company;
 - 3.3.5. **Optimality:** during the determination of volume and complexity of internal control procedures applied in OAO “TMK” it is assumed that they are necessary and sufficient for the performance of tasks and achievement of stated goals of the internal control system of the Company;
 - 3.3.6. **Regulation:** all the internal control procedures are conducted in accordance with the order of their implementation, stipulated by the internal regulatory documents of the Company;
 - 3.3.7. **Timely notification:** the information on identified risks and deviations from plans and procedures are timely and duly notified to the officers authorized to take corresponding decisions;
 - 3.3.8. **Professionalism and competence:** the employees of the governing bodies and officers of the Company, who conduct the internal control procedures, must possess all the necessary knowledge and skills for the implementation of certain internal control actions and must continuously improve their qualifications.

4. MAIN PROCEDURES OF INTERNAL CONTROL

- 4.1. The internal control includes the following procedures:
- 4.1.1. definition of related and non-contradicting purposes and tasks at different levels of management of the Company;
 - 4.1.2. distribution and delegation of key powers and responsibility in the Company, provision of the efficient interaction of the structural units and employees of OAO “TMK”;
 - 4.1.3. identification and analysis of any potential risks, which may prevent from achievement of the purposes of the Company;
 - 4.1.4. collection, processing and transmission of information, including for the preparation of reports and notifications which contain any business, financial and other information of the Company, as well as setting up of certain channels and means of communication which provide exchange of information of all vertical and horizontal connections of TMK Group;
 - 4.1.5. notification of all the employees of the Company of their duties in respect of the internal control;
 - 4.1.6. provision of efficient communication of the Company with the third parties;
 - 4.1.7. definition of criteria and performance evaluation of the structural units, officers and other employees of the Company;
 - 4.1.8. use of adequate and optimal methods of accounting of operations, transactions and events;
 - 4.1.9. control over the safeguard of assess and property of the Company;
 - 4.1.10. approval and implementation of operations only by those persons who are empowered as such;
 - 4.1.11. keeping proper records of internal control procedures;
 - 4.1.12. distribution of key duties between the employees of the Company (including responsibilities for approval and adoption of operations, accounting, delivery, storage and receipt of resources, analysis and control of operations);
 - 4.1.13. regular performance evaluation of the internal control procedures.
- 4.2. The General director of OAO “TMK” is responsible for organization of the internal control in the Company, provides the implementation of the internal control procedures, approves inspection schedules, reviews their results, provides elimination of any violations detected during the implementation of the internal control procedures and submits to the Board of Directors proposals for improvement of the internal control procedures. He/she delegates certain powers to some of the officers of the Company, responsible for certain internal control areas.
- 4.3. The heads of the structural units and officers of the Company in accordance with their functional duties are responsible for development, documentation, launching, monitoring and update of the internal control.
- 4.4. For the performance of the internal control in certain areas of the activity of the Company special employees can be appointed as well as new specialized structural units can be established.

5. PERFORMANCE EVALUATION OF INTERNAL CONTROL PROCEDURES

- 5.1. The Board of Directors of OAO “TMK” determines the policy of the Company in respect of the internal control, regularly evaluates the functioning of the internal control procedures of the Company. With this purpose the Board of Directors:
 - 5.1.1. approves the internal regulatory documents of the Company which regulate the internal control procedures;
 - 5.1.2. regularly reviews, analyzes and provides evaluation of the internal control procedures;
 - 5.1.3. approves strategies, business plan parameters, investment plans (projects) of the Company and periodically listens to the reports of the executive bodies of the Company (sole and collective) on the results of implementation of approved plans and adopted decisions.
- 5.2. In accordance with the Regulations of Audit committee of the Board of Directors of OAO “TMK” the Audit committee evaluates efficiency of the internal control procedures, supervises the internal control system in terms of preparation of the financial (accounting) statements, internal control system in its totality and risk management system, as well as prepares recommendations for their improvement.
- 5.3. The evaluation of adequacy, sufficiency and efficiency of the internal control procedures, as well as control over the compliance with the internal control procedures are carried out by the Internal Audit Service of OAO “TMK”.
- 5.4. During control over the compliance with the internal control procedures the Internal Audit Service interacts with other governing bodies of the Company, structural units and officers of OAO “TMK”, by way of receiving in a stated manner all the information and documentation required for the conduction of its activity.
- 5.5. The Internal Audit Service of OAO “TMK” performs the following functions in respect of the control over the compliance with the internal control procedures:
 - 5.5.1. organizes and conducts inspections on main directions of the financial and business activity of the Company, as well as the activity of TMK Group companies and organizations, including by way of involvement of employees of other structural units of OAO “TMK”;
 - 5.5.2. analyzes and summarizes the inspections results on main directions of the financial and business activity of the Company;
 - 5.5.3. coordinates work of the employees of the structural units of OAO “TMK” during the conduction of the internal control events (actions);
 - 5.5.4. keeps accounting of all detected breaches in the implementation of the internal control procedures, including failure to fulfill (non-efficient fulfillment) of the internal regulatory documents of the Company, informs the Audit committee of the Board of Directors and the General director of OAO “TMK” about the detected breaches during the implementation of the internal control procedures, presents proposals for their eliminations and results of elimination/non-elimination of such breaches;
 - 5.5.5. analyzes the audit inspection results of the Company, organizes monitoring of development and implementation of action plans for eliminations of defects, detected during such audit inspections;
 - 5.5.6. prepares proposals for improvement of the internal control procedures.

5.6. More details of the order of functioning and work of the internal control bodies are determined by the respective regulations and other regulatory documents of the Company. The said documents, directly or indirectly covering the matters of the internal control, can not contradict the present Regulations.

6. ORDER OF FUNCTIONING OF THE INTERNAL AUDIT SERVICE FOR MONITORING OF COMPLIANCE WITH THE INTERNAL CONTROL PROCEDURES

6.1. In its work the Internal Audit Service is governed by the current legislation of the Russian Federation, the Articles of Association of the Company, the Regulations of the Internal Audit Service of OAO "TMK", the present Regulations, other internal regulatory documents of the Company.

6.2. During the performance of the functions related to the control over the performance of the internal control procedures in TMK Group, the Internal Audit Service of OAO "TMK":

6.2.1. is entitled to request from the governing bodies of the Company and the TMK Group structural units any necessary documents and information (including, minutes of the meetings of the governing bodies, orders, instructions, book keeping records, financial and reporting documents, etc);

6.2.2. is entitled to access any office premises of the inspected facility (including, cash offices, production facilities and warehouses, etc) with the mandatory participation of the accompanying employees of the inspected parties and the materially responsible persons.

6.2.3. is entitled to a viewing access to any information systems, programs, their functional subsystems, used by the inspected party in its work (including, to the information in the electronic databases, and its technical documentation, etc);

6.2.4. is entitled to receive from the TMK Group employees notes and comments required for the monitoring of the compliance with the internal control procedures;

6.2.5. during the identification of any defects and violations during the inspections is entitled to require written explanations and clarifications from the officers for establishing the circumstances and character of actions taken (omissions) in respect of the inspected matters;

6.2.6. is entitled to demand from the TMK Group employees to provide any information about the implementation by the governing bodies and other officers of decisions adopted upon the conduction of the inspections in respect of the financial and business activity of the Company, its subsidiaries and related companies;

6.2.7. is entitled independently or with the assistance of the employees of the inspected unit of TMK Group to copy any received documents, including files and other records located on the corporate information system of OAO "TMK", as well as receive transcripts of such files complying with all the requirements of the legislation of the Russian Federation and the internal regulatory documents of the Company regulating the confidentiality issues.

6.2.8. is entitled to engage, if necessary, any specialists from other units of TMK Group, upon agreement with their directors, for performance of any tasks stated before the Internal Audit Service of OAO "TMK".

- 6.2.9. Inform in a mandatory order the Audit committee of the Board of Directors and the General director of OAO “TMK” about any violations of the internal control procedures detected during the inspections;
- 6.2.10. Upon results of the inspections prepare reports and recommendations which are subject to submission to the Audit committee of the Board of Directors and the General director of OAO “TMK”.
- 6.2.11. The Head of the Internal Audit Service annually presents to the Board of Directors of OAO “TMK” a performance report.

7. FINAL PROCEDURES

- 7.1. The present Regulations together with any amendments and modifications to it, are approved by the Board of Directors of OAO “TMK”.
- 7.2. Any matters not governed by the present Regulations, are governed by the current legislations of the Russian Federation, decisions of the Board of Directors of OAO “TMK” and other internal regulatory documents of the Company.
- 7.3. If as result of changes in the legislation or regulatory acts of the Russian Federation certain provisions of the present Regulations contradict such acts, such provisions shall become invalid and until the moment of their modification, the Regulations shall be in force in that part that does not contradict the current legislation and other legal and regulatory acts of the Russian Federation.