

## **Policy on election of an external auditor of the Group**

### **1. Main principles**

1.1. Policy on election of an external auditor of OAO TMK (hereinafter - the "Company") and its subsidiaries (hereinafter - the "Policy") has been developed taking into account:

- Requirements of Corporate Governance Code of the United Kingdom issued by the Financial Reporting Council (FRC);
- Recommendations of the FRC for the Audit Committee;
- Generalized practice of FRC "On tender for election of an external auditor";
- Company internal documents (including Company Corporate Governance Code, Company Regulations on the Audit Committee, etc.)

1.2. This policy is designed to assist the Group top management, Company Audit Committee and the Board of Directors in fulfilling their responsibilities to ensure the independence of the audit.

1.3. The Policy establishes the procedure for the appointment, reappointment and evaluation of the external auditor's activity, who fulfills inspection of the consolidated financial statements of OAO TMK and its subsidiaries (hereinafter – the "Group"), prepared in accordance with International Financial Reporting Standards (IFRS).

1.4. The external auditor to conduct audit of the financial statements of OAO TMK and its subsidiaries prepared in accordance with the laws of the country of registration, shall be appointed in accordance with the laws of the country of registration of the relevant company. An auditor conducting the audit of the financial statements prepared in accordance with the laws of the country of registration, doesn't necessarily have to be the same person as the external auditor of the Group.

### **2. The election and appointment of the external auditor**

2.1. The external auditor of the Group should be among the internationally recognized independent auditing companies with high professional reputation: EY, PWC, KPMG and Deloitte.

2.2. The authority to make recommendations for the Board on appointment of the external auditor of the Group is assigned to the Audit Committee of the Company.

2.3. A candidate of the external auditor of the Group is approved by the Board of Directors.

2.4. In order to obtain high-quality audit services by the Group and taking into account international practice of tendering process, the Group conducts a tender for election of an external auditor every ten years. The tender procedure for election of the auditor should begin at least four months prior to the beginning of the year to be audited, and end in March of the year to be audited.

2.5. The Audit Committee approves the terms of the Company's tender for election of the external auditor of the Group, organizes and summarizes the results of the tender.

### **3. Evaluation of the External Auditor activity**

- 3.1. The Audit Committee in accordance with its competence analyzes the quality of the external auditor services and controls the enforcement of the requirements of auditor independence.
- 3.2. The Audit Committee reserves the right to make recommendations on need for tender for the external auditor election before the term established by the Policy.

### **4. Non-audit services provided by the external auditor**

- 4.1. The external auditor of the Group shall have the right to provide the Group with non-audit services, if such services do not violate the independence of the external auditor. Provision of non-audit services by the external auditor is regulated by "Policy on provision of non-audit services by the external auditor of the Group".

### **5. Final Provisions**

- 5.1. This Policy shall enter into force upon approval by the Board of Directors.
- 5.2. To declare null and void "Policy on election of an external auditor for the Group consolidated accounts check" dated August 23, 2010.