



Annual Report 2020

AT THE CUTTING EDGE OF TECHNOLOGY

APPROVED
by the Board of Directors of PAO TMK March 11, 2021
(Minutes No. 21 of March 12, 2021)

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Global supplier

of steel pipes and pipe solutions

COMPANY AT A GLANCE

TMK is the largest steel pipe manufacturer in Russia and counts as one of the world's leading pipe producers. The Company operates over 15 production assets in Russia, Romania and Kazakhstan with an annual combined capacity of 5 million tonnes of pipe.

TMK PROFILE

TMK is a global supplier of steel pipes, pipe solutions and related services for the oil and gas industry, and counts as one of the world's leading pipe producers.



As an advanced vertically integrated company with an extensive sales network, TMK produces and supplies a broad range of high-tech competitive products.



The Company has a track record of supplying products to over 80 countries.



With its production and service capabilities TMK supplies a wide range of customers, offering effective solutions to their operational challenges.

The Company was founded in 2001 and by end-2020 operates over 15 production assets in Russia, Romania and Kazakhstan with an annual combined capacity of 5 million tonnes of pipe. TMK's core business is the production and sale of seamless and welded pipe, pipe with premium connections, combined with an extensive range of services in heat treatment, protective coating, pipe storage and repair.

TMK comprises four Russian production sites – Volzhsky Pipe Plant, Seversky Pipe Plant, Sinarsky Pipe Plant and Taganrog Metallurgical Works (TAGMET), as well as TMK-ARTROM and TMK-RESITA in Romania, TMK-Kaztrubprom in Kazakhstan, and several oilfield service companies. TMK has several trading companies and representative offices located in Russia, Europe, the USA, the UAE and other countries.

TMK's research efforts are spearheaded by TMK's R&D facility in Skolkovo (Moscow) and the Russian Research Institute of the Tube & Pipe Industries (RUSNITI) located in Chelyabinsk, Russia. The center focuses on new product design and development, experimental and validation testing and advanced research.

In 2020, TMK acquired a 100% interest in LLC Truby 2000, one of Russia's leading manufacturers of nuclear piping systems, as well as in LLC TMK – Yartsevsky Metzavod (formerly Parus), an advanced casting and rolling complex producing long products with an annual capacity of over 300 thousand tonnes. The Company also increased its stake in the authorized capital of JSC Uralchermet, which specializes in protective coating for pipes, to 75%.

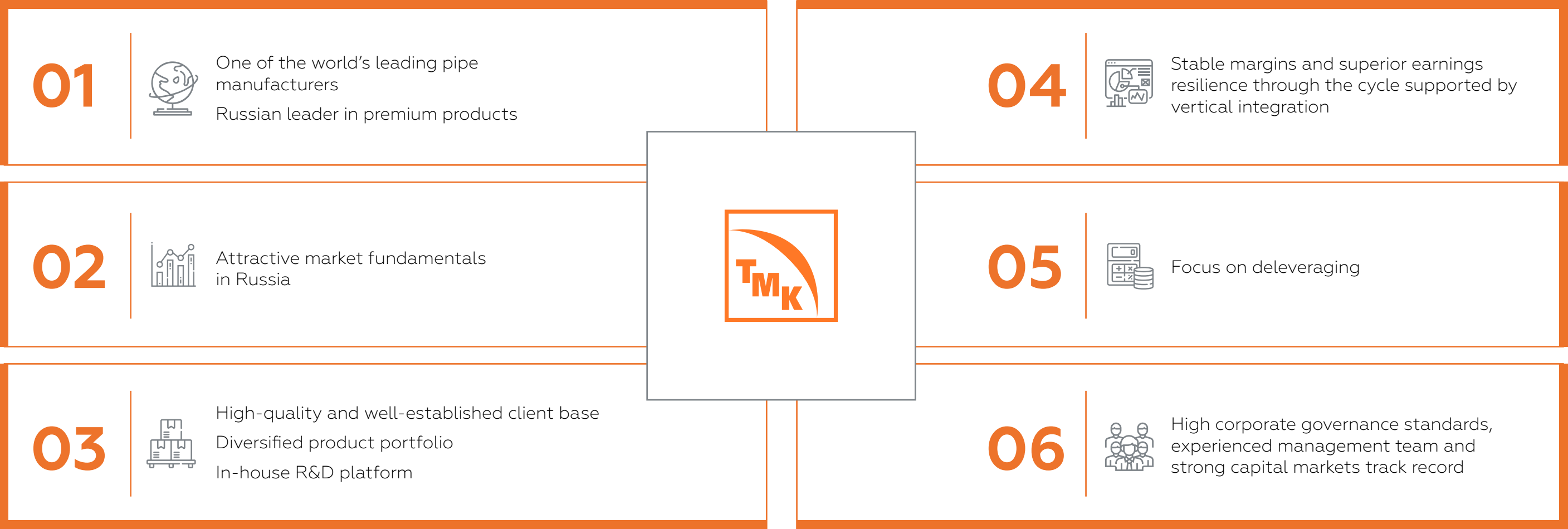
The Company's securities are traded on the Moscow Exchange under ticker TRMK RM.

>15
production assets
in Russia, Romania
and Kazakhstan

>80
countries
geography of supplies

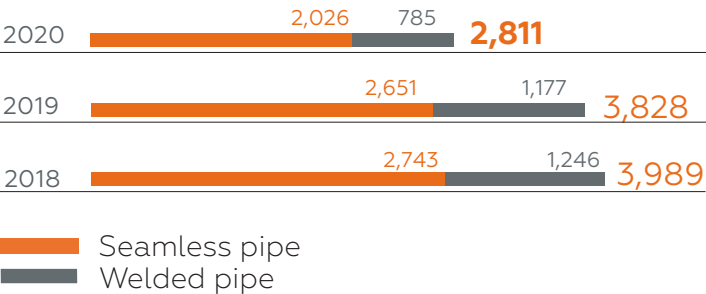
5
mln t
of pipe in year

KEY INVESTMENT HIGHLIGHTS



KEY INDICATORS

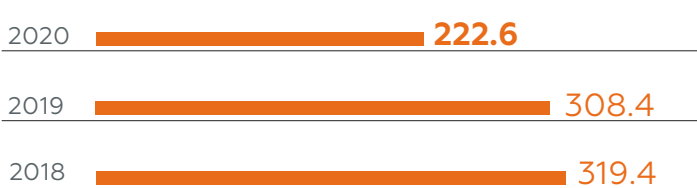
Sales volumes, thousand tonnes



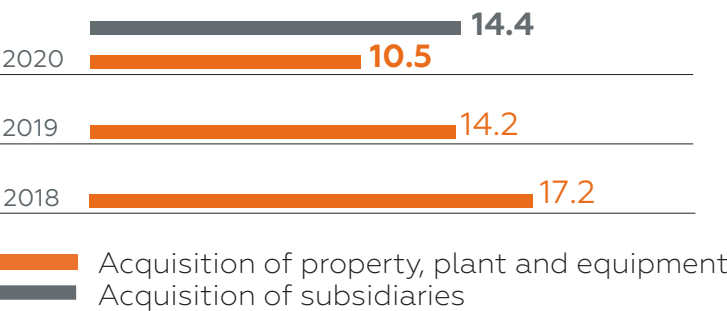
Adjusted EBITDA margin, %



Revenue, RUB bln



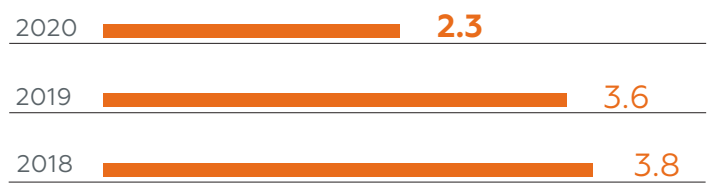
Investments, RUB bln



Adjusted EBITDA, RUB bln



Net debt/EBITDA



Leader in the Russian market of oil country tubular goods

No. 1
in Russia and globally by sales of tubular products

23%
share of the Russian pipe market

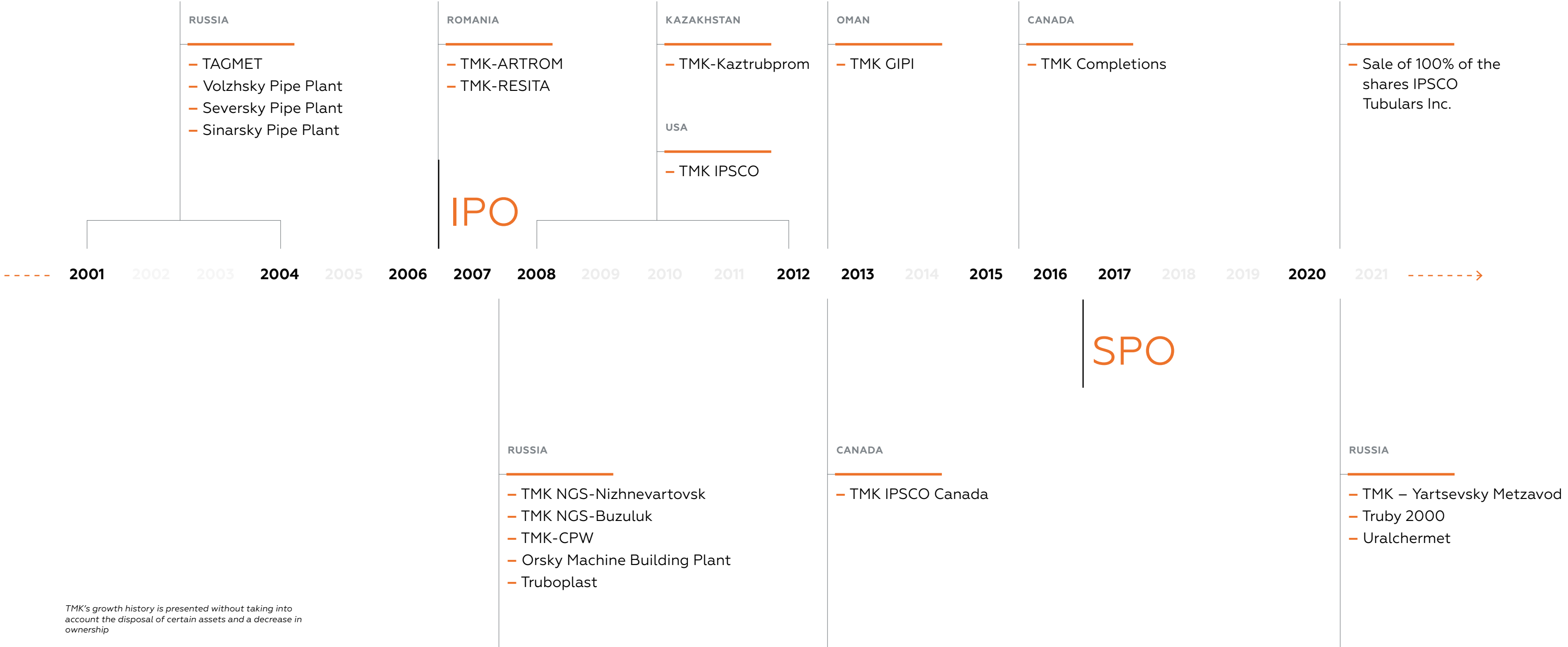
CREDIT RATINGS

S&P Global
Long-term credit rating **BB-**
Outlook Negative
Last revised 04/20/2020

Moody's
Long-term credit rating **B1**
Outlook Positive
Last revised 01/22/2020

RAEX (Expert RA)
Long-term credit rating, national scale **ruA**
Outlook Stable
Last revised 04/15/2020

TMK GROUP'S GROWTH HISTORY



TMK GROUP'S ASSET STRUCTURE AND GEOGRAPHY

As at December 31, 2020, TMK Group comprised its Russian¹ and European² divisions represented by more than 15 production assets located in Russia, Romania and Kazakhstan, two R&D centers in Russia, as well as trading companies in Russia, Europe, the USA and the UAE, etc.

In 2020, TMK:

- acquired LLC Parus metallurgical company (renamed to LLC TMK – Yartsevsky Metzavod)
- acquired a 100% interest in LLC Truby 2000. Completing this transaction, TMK also acquired a controlling stake in OJSC Rakityansky Armaturny Zavod and OJSC Gus-Khrustalny Remontno-Tekhnicheskoe Predpriyatie controlled by LLC Truby 2000
- increased its stake in the authorized capital of JSC Uralchermet to 75%.

North America

- 1 TMK Industrial Solutions
- 2 TMK Overseas

Europe

- 3 TMK-ARTROM Headquarters (TMK European division)
- 4 TMK-ARTROM
- 5 TMK-RESITA
- 6 TMK Europe (Germany)
- 7 TMK Global (Switzerland)
- 8 TMK Italia (Italy)

Russia and the CIS

- 9 TMK Headquarters
- 10 TAGMET
- 11 Volzhsky Pipe Plant
- 12 Seversky Pipe Plant, TMK-CPW
- 13 Sinarsky Pipe Plant, TMK-INOX
- 14 Orsky Machine Building Plant
- 15 TMK-Kaztrubprom
- 16 TMK – Yartsevsky Metzavod
- 17 Truby 2000 (Rakitnoye)
- 18 Truby 2000 (Gus-Khrustalny)
- 19 Trade House TMK
- 20 Representative Office of TMK in Turkmenistan
- 21 Representative Office of TMK in Yuzhno-Sakhalinsk
- 22 Truboplast
- 23 TMK NGS-Nizhnevartovsk
- 24 TMK NGS-Buzuluk
- 25 Uralchermet
- 26 RUSNITI
- 27 R&D facility in Skolkovo

Middle East, Asia and Africa


- 28 TMK Middle East, UAE
- 29 Representative Office of Trade House TMK in China

- Management
- Production
- Sales
- Oil and gas service
- Research and development

Note: asset geography as at December 31, 2020.

¹ The Russian division represents the results of operations and financial position of plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia and traders located in Russia, the UAE, the USA and Switzerland.

² The European division represents the results of operations and financial position of plants located in Romania and traders located in Italy and Germany.



Retaining the status of being
**the world's largest
manufacturer**
and strengthening positions across key
segments of business

STRATEGIC REPORT

In November 2020, TMK's Board of Directors approved the revised TMK Group Strategy to 2027, with strategic goals and priorities adapted to the new business environment and challenges of today's global economy.

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Friends,

The year 2020 was a tough time as we faced multiple challenges. Primarily, the emergence of a real threat to the safety and health of our people, associated with the COVID-19 pandemic, as well as the global decline in business activity, declining demand triggered by lockdowns, and the related negative impacts on the social and economic collective wellbeing as well as people's lives in all countries around the world, including in the regions in which we operate.

However, TMK has stepped up to all of these challenges. The Company's board and management team demonstrated real ingenuity in navigating the crisis, as well as maximum flexibility and smart decision-making, as we took swift action to pivot our operations, protect our people against the coronavirus and provide meaningful support to authorities and social infrastructure facilities across our footprint. This was largely achieved thanks to the strategic direction of the business that TMK has pursued since long before the pandemic.

This vision puts people at the heart of our business, seeking to fully unlock their potential within the Company. It includes business transformation enabled by digital technology and the adoption of best management practices, a focus on growing our research and technical capabilities and fostering innovation, a strategy of ramping up our production of high-tech products and our unique range of premium connections, and finally, the consistent build-out of our people's professional competencies and digital skills through the training and development programmes delivered by TMK2U Corporate University.



Dmitry Pumpyanskiy

Chairman of PAO TMK's
Board of Directors

As a result, despite the fact that 2020 tested us all, we demonstrated strong operational and financial performance, not only in the Russian pipe industry but also globally. We have become an industry leader in both operational excellence and financial efficiency, improving our position in key business segments and further reducing our debt level.

TMK retained its status of being the world’s largest steel pipe manufacturer in 2020, shipping more than 2.8 million tonnes of products to its customers over the year. The Company also strengthened its position in the Russian pipe market, growing its share from 22.7% in 2019 to 23.3% in 2020. We have also delivered a strong performance across our key segments of OCTG and seamless industrial pipe. During the year, TMK successfully promoted its high-tech products, including pipes with premium connections designed for use in aggressive environments and in more difficult oil and gas fields. Demand for these products remained steady, despite the challenging market conditions.

We also integrated a number of new production assets in 2020, including Yartsevsky Metzavod, focused on producing long products, as well as Rakityansky Armaturny Zavod and other assets within Truby 2000 Group, which manufactures equipment and pipework for nuclear power plants. Both deals are aligned with TMK’s long-term strategy of diversifying the Company’s product portfolio and integrating complementary assets to provide a full spectrum of services to customers and increase the depth and breadth of our product offering.



Igor Korytko

CEO of PAO TMK

As part of our 2020 investment programme, we implemented a number of significant projects to upgrade production facilities at TMK plants. Seversky Pipe Plant launched a new heat treatment facility with an annual capacity of up to 300 thousand tonnes of pipe. Volzhsky Pipe Plant launched the active implementation phase of its technical development project for pipe rolling shop No. 2. Sinarsky Pipe Plant has continued projects to increase the output of OCTG and completed the reconstruction project for its Volochilnaya main step-down substation No. 3. At Taganrog Metallurgical Works (TAGMET), advanced pipe threading machines were put into operation, and progress was made on a project to commission a new upsetting press.

In parallel with our modernization drive, in 2020, we continued efforts to protect the environment and reduce our environmental footprint by implementing a range of projects to maintain the environmental well-being within the regions in which we operate.

In 2020, we also launched TMK’s Digital Production programme, its key projects being the rollout of an integrated planning system (IPS) and manufacturing execution system (MES). Another highlight of 2020 was the adoption of TMK’s 2025 Digital Vision. As part of its efforts to deliver the vision, the Company established centers of excellence for robotic process automation (RPA), chatbots, computer vision, and digital twins. We are developing and implementing a number of initiatives in big data, machine vision, augmented and virtual reality (AR/VR), blockchain and other technologies.

And finally, TMK has successfully continued to build out its R&D capabilities and develop innovative products despite COVID-19 restrictions. The past year was a real breakthrough for our R&D facility in Skolkovo: for the first time in Russia, it conducted full-scale tests of premium tubular products – the TMK UP CENTUM quick-assembly threaded connection – in accordance with the standards of the International Organization for Standardization (ISO). This is a clear success which will accelerate time-to-market for our new solutions and become a key driver for the export potential of our products.

Dear friends, 2021 will be a special year for TMK as we are going to celebrate the Company’s 20th anniversary. We have entered this milestone year with confidence and the awareness that we emerged from all the trials of 2020 a stronger company than we were before. We are confident that the developments of 2020 and 2021 will have a profound and lasting impact on business, and that TMK will be at the forefront of these changes, leveraging the latest technologies to successfully transform and grow.

¹ Manufacturing Execution System.

KEY HIGHLIGHTS

JANUARY 2020

- TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc. to Tenaris. The consideration received by TMK exceeded \$1 billion. The parties also entered into a six-year master distribution agreement whereby, as of January 2, 2020, Tenaris is the exclusive distributor of TMK’s OCTG and line pipes in the United States and Canada.
- Seversky Pipe Plant launched a new heat treatment facility with an annual capacity of up to 300 thousand tonnes of pipe. The facility will produce premium pipe products for use in developing hard-to-recover deposits as well as drilling in aggressive environments and in the Far North.

FEBRUARY 2020

- PAO TMK completed a \$500 million seven-year Eurobond issue with a coupon of 4.3%. The Eurobonds were admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

APRIL 2020

- The Board of Directors approved a buyback programme to purchase ordinary TMK shares through TMK’s wholly owned subsidiary Volzhsky Pipe Plant under a voluntary offer and delisting of TMK GDRs on the London Stock Exchange upon program completion.
- TMK issued bonds in the amount of RUB 10 billion with a maturity period of two years on the Moscow Exchange. The coupon rate was set at 8.35%, and the coupons will be paid semi-annually.

MAY 2020

- TMK allocated RUB 100 million to finance the STOP Coronavirus! project, particularly to purchase advanced medical equipment, personal protective equipment and sanitizers for social and healthcare institutions in Russian cities where TMK operates.
- TAGMET produced its five millionth tonne of pipes on the continuous PQF mill. The milestone batch of line pipes for the oil industry was produced using own continuously cast billets.

AUGUST 2020

- TMK and Amur Gas Chemical Complex (PJSC SIBUR) signed an agreement for integrated supplies of tubular products to Amur GCC. Following the agreement, TMK will deliver a set of integrated tubular solutions including seamless pipes, welded large diameter pipes and various pipeline connections – more than 36 thousand tonnes in total. Deliveries are planned for 2021–2023 in line with the project schedule.
- TMK topped the annual social performance rating among Russian metals and mining companies, compiled by AK&M.
- Volzhsky Pipe Plant completed the buyback program to purchase TMK shares under the voluntary offer.

SEPTEMBER

2020

- TMK’s Board of Directors approved a new buyback program to purchase ordinary TMK shares through its subsidiary Volzhsky Pipe Plant.
- Upon TMK’s application, the London Stock Exchange delisted (removed) TMK GDRs, each representing four ordinary TMK shares, from the Standard Listing of the Main Market.
- GDRs representing ordinary TMK shares were removed from Level 3 of the list of securities admitted to trading on the Moscow Exchange, and trading of these securities was terminated due to delisting on a foreign stock exchange.
- For the seventh year running, TMK topped the ranking of Russian suppliers of tubular products for the oil and gas sector by the Center of Suppliers for the Fuel and Energy Complex (TEK-Rating), a rating agency.

OCTOBER

2020

- TMK completed the acquisition of a 100% stake in LLC Parus, a metallurgical company located in Yartsevo, the Smolensk Region (renamed to LLC TMK – Yartsevsky Metzavod).
- Volzhsky Pipe Plant completed the buyback program to repurchase PAO TMK shares.
- TMK acquired 100% interest in LLC Truby 2000. Completing the transaction, TMK acquired a controlling stake in OJSC Rakityansky Armaturny Zavod and OJSC Gus-Khrustalny Remontno-Tekhnicheskoe Predpriyatie controlled by LLC Truby 2000.

NOVEMBER

2020

- TMK developed unique pipes for the BREST-OD-300 experimental demonstration power unit commissioned by the mechanical engineering division of the State Atomic Energy Corporation Rosatom. As part of a project to establish the closed nuclear fuel cycle, by the end of 2023 TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

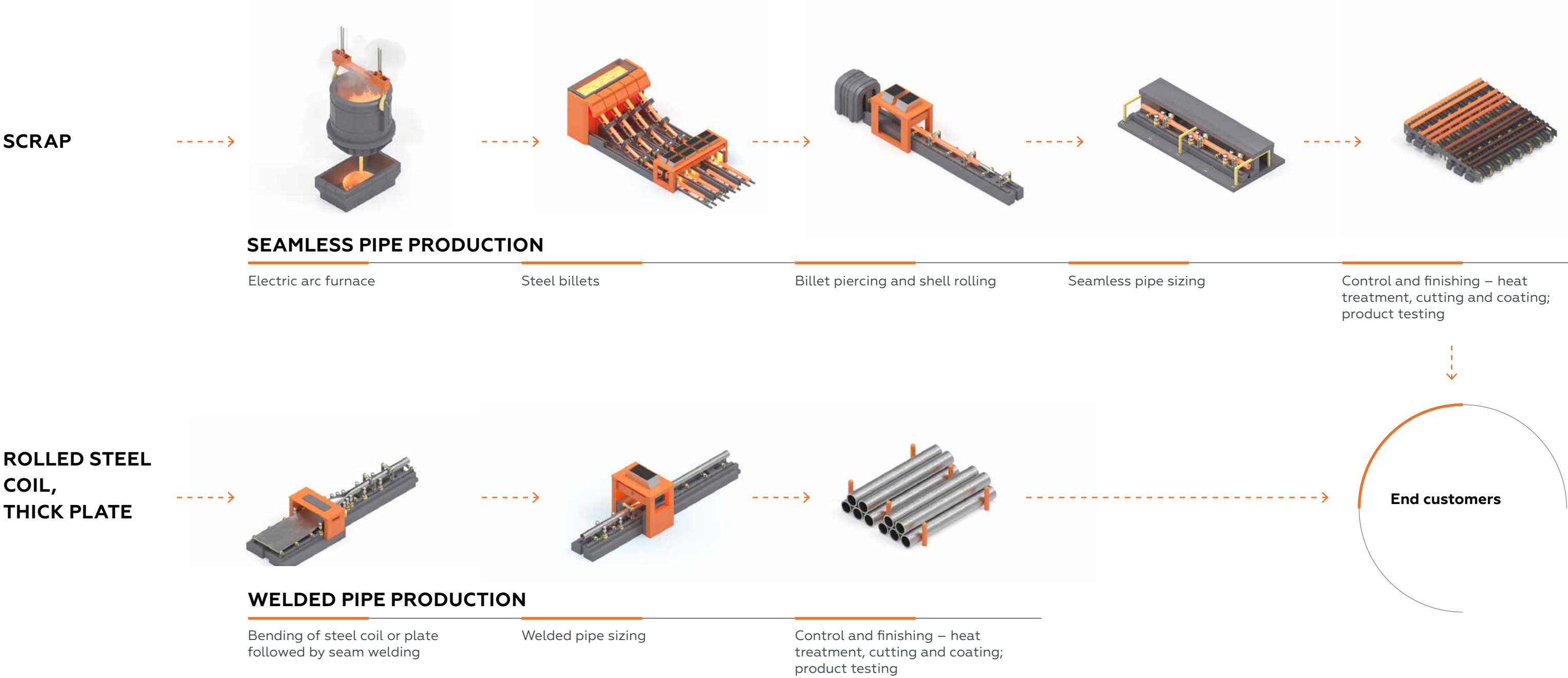
DECEMBER

2020

- TMK started pipe shipments to Hungary. The Hungarian customer will purchase 9.2 tonnes of small diameter stainless steel pipe manufactured by TMK-INOX.
- TMK reached an agreement to expand cooperation with Uzbekistan. TMK and JSC Uzbekneftegaz started discussing joint projects for the development of the country’s oil and gas industry, as well as research and technical cooperation.
- TMK’s corporate management system successfully passed another recertification audit for conformity with international standards (ISO 9001, EN ISO 9001, BS EN ISO 9001).
- TMK financed the purchase of oxygen therapy equipment and personal protective equipment for healthcare institutions in the cities of its presence. As part of the Stop Coronavirus! project, the Sinara Charity Foundation delivered 20 thousand respirators and over 100 oxygen concentrators to hospitals in Volgograd, Volzhsky, Kamensk-Uralsky, Orsk, Polevsky and Taganrog.

VALUE CHAIN

TMK is a vertically integrated steel pipe manufacturer.



The Company is more than 90% self-sufficient in steel billets for seamless pipe. With its own steel billet production capacity, TMK is less reliant on third-party suppliers and is therefore better positioned to control the costs of finished products and ensure the quality of steel used in the manufacture of its tubular products.

Three of TMK's four Russian pipe plants have their own steelmaking facilities and manufacture steel billets for seamless pipe. Although Sinarsky Pipe Plant does not have a steelmaking capacity, 80% of its steel billet needs are covered by three TMK Group plants (Volzhsky Pipe Plant, Seversky Pipe Plant and TAGMET) and the rest – by the largest Russian metallurgical companies.

The European division's steel billet production capacity is represented by TMK-RESITA in Romania, which supplies almost all of its billets to the TMK-ARTROM plant given its relative proximity.

To supply scrap to its smelters at TMK's Russian plants, the Company partners with major scrap companies, purchasing most of its scrap on the spot market.

14%
TMK's share in the global
seamless OCTG market

Three of TMK's four
Russian pipe plants have
their own steelmaking
facilities and manufacture
steel billets for seamless
pipe

Currently, the main suppliers of raw materials for TMK's welded pipe production are:

- steel plate – MMK, Severstal, Salzgitter, Ural Steel and Nippon Steel & Sumitomo Metal Corporation
- hot rolled coil – MMK, NLMK, Severstal and ArcelorMittal Temirtau.

Plates and coils are supplied mainly under agreements for one to three years, renewable annually. If an agreement provides for a long-term and large supply volumes of LDP, rolled sheets are purchased under additional agreements fixing the price, volume and delivery timeline. Otherwise, rolled sheets are supplied at market prices.



STRATEGY AND PRINCIPAL ACTIVITIE

PROGRESS REPORT ON THE STRATEGY APPROVED IN SEPTEMBER 2017 BY PAO TMK’S BOARD OF DIRECTORS IN 2020

STRATEGIC PRIORITIES



01
Enhancing leadership in key segments and entering new product niches



02
Optimizing vertical integration to reduce costs and develop product and service ranges



03
Enhancing the sales platform and leveraging TMK’s global scale



04
Focus on innovation and digitalization



05
Enhancing operational excellence



06
Strengthening financial performance and investment appeal

KEY 2020 HIGHLIGHTS

- No. 1 globally by total shipments of tubular products in 2020.
- 14%¹ TMK’s share in the global seamless OCTG market.
- Leader in the Russian market of oil country tubular goods.

- Premium pipe shipments reached an all-time high.
- TMK signed an agreement for integrated supplies of tubular products to Amur Gas Chemical Complex, one of the world’s largest polymer production enterprises. Previously, pipes for construction of gas and petrochemical facilities of such a scale in Russia were mainly supplied by foreign manufacturers.
- In November, Orsky Machine Building Plant, TMK’s subsidiary and a high-tech producer of gas cylinders (high-pressure vessels) for storage and transportation of various gases, manufactured its 260 thousandth gas cylinder. Since 2013, all of the plant’s metal cylinders are produced from TMK’s seamless pipe and can be used for various purposes.
- TMK acquired controlling stakes in several enterprises under LLC Truby 2000, one of Russia’s leading manufacturers of nuclear piping systems. This acquisition will expand cooperation with State Atomic Energy Corporation Rosatom and boost TMK’s production capabilities in nuclear piping.
- New stage in the development of pipe-specific services.

- TMK’s sales unit launched the Digital Heart of Sales project to implement a CRM system based on SAP Sales Cloud. The solution includes two modules. New products will be integrated into TMK’s existing information systems, enabling rapid exchange of information on customers, orders, production planning and shipments. In addition, the system will be synchronized with email and TMK’s eTrade online store.
- Further development of the eTrade online store: availability of pipes in stock for buyers in Kazakhstan from TMK-Kazakhstan production site; product range expanded by TMK-INOX’s stainless pipes; refreshed design of the online store, including a new chatbot; integration of the online store and the new sales CRM-system.

- The Transformation Committee developed and approved TMK’s 2025 Digital Vision, which aims at rolling out the Industry 4.0 digital technology.
- TMK’s Digital Production programme was launched, which comprises six projects covering all operating processes.
- A number of major projects are in progress: electronic document management, integrated planning system, cloud-based data center, ERP system, electronic archive, automation of health checks, etc.
- The Mobi2U mobile app is being actively developed.
- The SOTA2U online HR platform is being deployed.
- In November, TMK fully revamped its corporate website.

- Continuing a number of initiatives to increase the reliability of technology.
- Continuing to foster a lean production culture and implement a continuous improvement system.
- Implementing the consolidated efficiency programme.
- Implementing the Program to Improve Energy Efficiency and Fuel and Energy Saving.
- Environmental protection expenditures amounted to about RUB 2.3 billion.
- 22 investments were made to reduce the business’ environmental impact.
- 28% year-on-year reduction in accident frequency rate.

- The Group’s adjusted EBITDA margin increased by 5 p.p. year-on-year to 19% in 2020.
- The Russian division’s adjusted EBITDA margin increased by 3 p.p. year-on-year to 20% in 2020.
- Net debt/adjusted EBITDA ratio was 2.32x compared to 3.56x in 2019.

¹ TMK’s estimates based on 2020 results.

STRATEGIC
OBJECTIVES



Operations

Solidify TMK’s leadership in key product segments in both Russian and global markets

Maintain a strong financial position on par with global leading pipe producers, maximizing operating cash flow and optimizing the asset portfolio



Strategy

Expand and optimize TMK’s production capacities, including through alliances, partnerships and acquisitions

Enhance long-term partnerships with key customers to implement joint projects in new oil and gas-producing regions

Adopt breakthrough technology and services to improve product quality and cut costs

Develop comprehensive design solutions for customers using cutting-edge digital technology



ESG

Improve occupational safety – a zero injury rate objective

Reduce emissions to meet global best industry standards, improve operating energy efficiency and waste management

Deploy new technology and products to develop modern environmentally friendly energy sources and other promising areas

Adhere to best corporate governance practices



STRATEGIC
PRIORITIES

01

Enhancing leadership in key segments and entering new product niches

02

Optimizing vertical integration to reduce costs and develop product and service ranges

03

Enhancing the sales platform and leveraging TMK’s global scale

04

Focus on innovation and digitalization

05

Enhancing operational excellence

06

R&D

07

Strengthening financial performance and investment appeal

In November 2020, TMK’s Board of Directors approved the revised TMK Group Strategy to 2027, with strategic goals and priorities adapted to the new business environment and challenges of today’s global economy. The Strategy was revised to develop TMK Group’s competitive advantages, improve operational efficiency and resilience in any market environment, as well as maintain its commitment to sustainability principles.

MISSION

Be a responsible global supplier of environmentally efficient and safe solutions for consumers of steel pipes while increasing shareholder value, maintaining an environmental balance, improving living standards in the regions of operation and implementing comprehensive measures to improve working conditions and occupational safety for our employees.

TMK'S MARKET POSITION

In 2020, the unfavourable global macroeconomic situation caused by the COVID-19 pandemic, oil price volatility and OPEC+ production restrictions had a significant impact on the global pipe industry, hitting mostly the oil and gas pipe segment (OCTG, line pipe and LDP), whilst affecting the industrial pipe segment to a lesser extent.

According to IMF estimates, global GDP in 2020 shrank by 3.5% year-on-year, and the average oil price was \$42 per barrel. After hitting a record high in 2019, the global steel pipe market was down 10% in 2020, with the threaded OCTG market declining by 24%. In 2021, with the weakening impact of the pandemic on the global economy, business activity is expected to recover. According to IMF experts, the global GDP growth rate in 2021 could reach 5.5%, and the average oil price will reach \$50 per barrel, which, in turn, may lead to increased demand for all types of steel pipes, including OCTG.

The American threaded pipe market is the largest market in the world, hence its volatility has a significant effect on the entire global OCTG market. In 2020, the United States experienced the largest decline in drilling activity in its history, with the rig count dropping to 244 in mid-August (the lowest since 1987). This certainly had a negative impact on OCTG pipe consumption, which was down 49% year-on-year at 2.6 million tonnes by end-2020. Since August 2020, however, the drilling activity in the USA gradually started to recover and will continue, according to industry forecasts. As at the end of 2020, the drilling rig count reached 351.

TMK Group's steel pipe sales in 2020 were 2.8 million tonnes. For the 12th year running, TMK remains the world's leading steel pipe producer in terms of sales volumes. According to Company estimates, TMK had a 14% share of the global seamless OCTG market.

Nº 1

the world's leading steel pipe producer

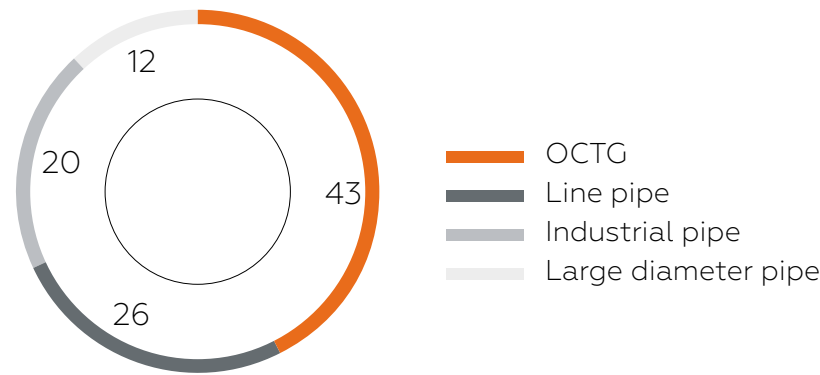
14%

TMK had a share of the global seamless OCTG market.

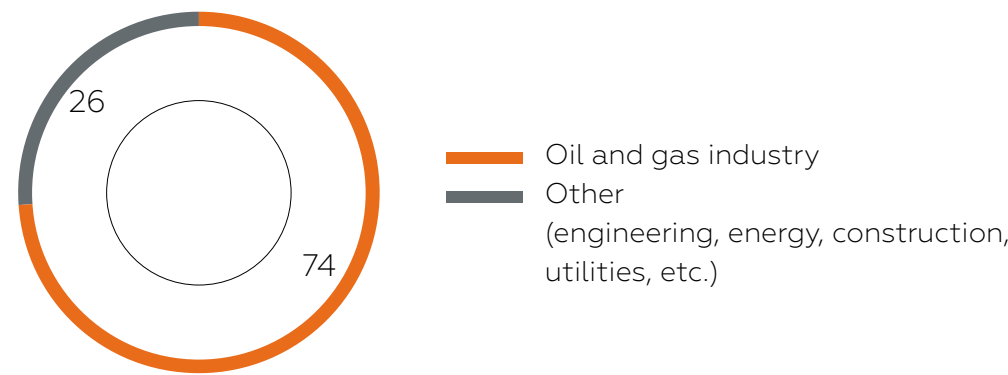
2.8 mln tonnes

TMK Group's steel pipe sales in 2020

2020 PRODUCT PORTFOLIO

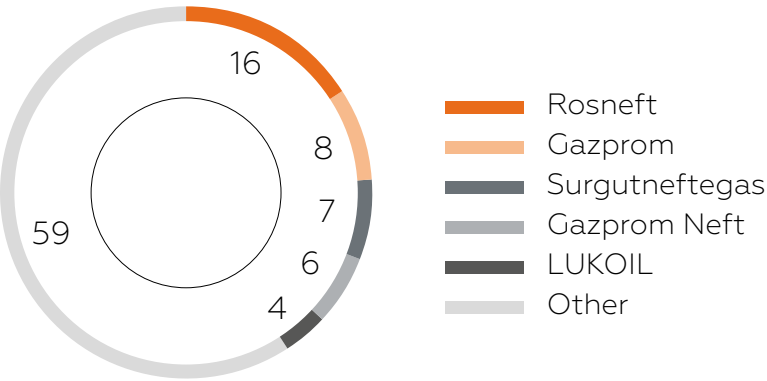


2020 SALES BY INDUSTRY



A considerable portion of TMK’s products is shipped to Russian oil and gas majors such as Gazprom, Gazprom Neft, LUKOIL, Rosneft, and Surgutneftegas. These top five Russian customers accounted for 41% of TMK’s total sales in 2020.

2020 SALES BY CUSTOMER



TMK has a global network of distribution and representative offices and a track record of supplying products to over 80 countries. The geographical diversification of our assets and sales helps TMK mitigate risks and uncertainties while leveraging the opportunities offered by each market.

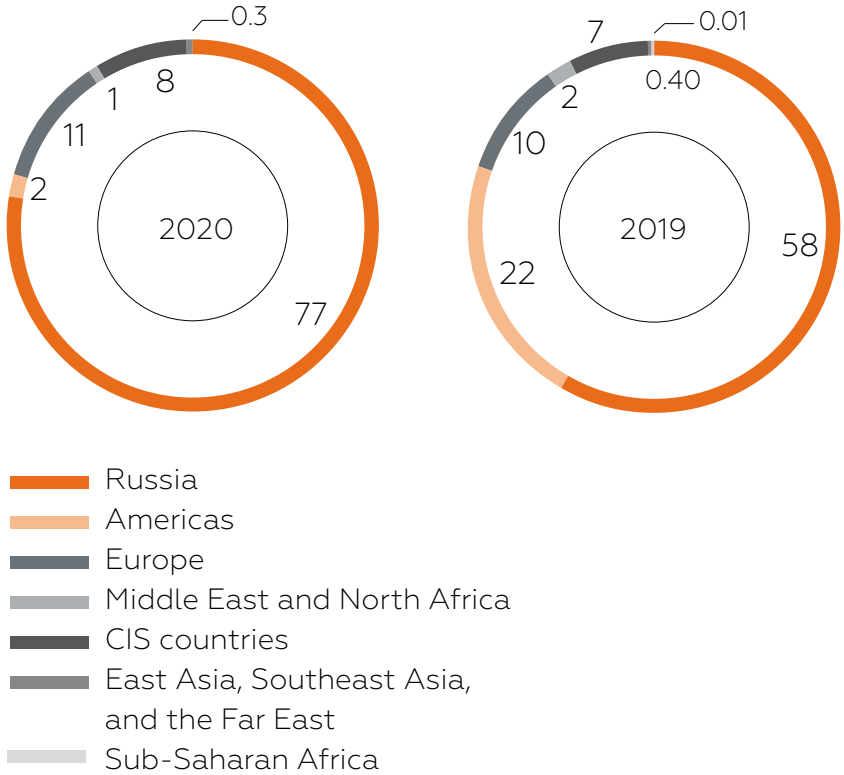
In 2020, the Russian market accounted for 77% of our total revenue, the European market for 11%, and the Americas for 2%. The CIS countries, the Middle East, Central and South East Asia, and Rest of World (ROW) accounted for 9% of the total revenue. In 2020, the share of the American market in our total revenue significantly decreased year-on-year on the back of much weaker demand for tubular products due to oil price volatility and a slowdown in drilling activity.

41%
top five Russian customers
accounted of TMK’s total sales in
2020

over 80 countries
a track record of supplying
products

77%
the Russian market accounted of
our total revenue

SALES GEOGRAPHY, % OF REVENUE



RUSSIAN PIPE MARKET

In 2020, the Russian pipe market declined by 9% from 2019, mainly due to a 31% year-on-year decrease in consumption of large diameter pipes.

In the reporting year, TMK maintained its leadership in the domestic pipe industry in the segments of pipes for drilling, construction and operation of wells, as well as oil and gas transportation. The Company's total share of the Russian pipe market for 2020 was 23%.

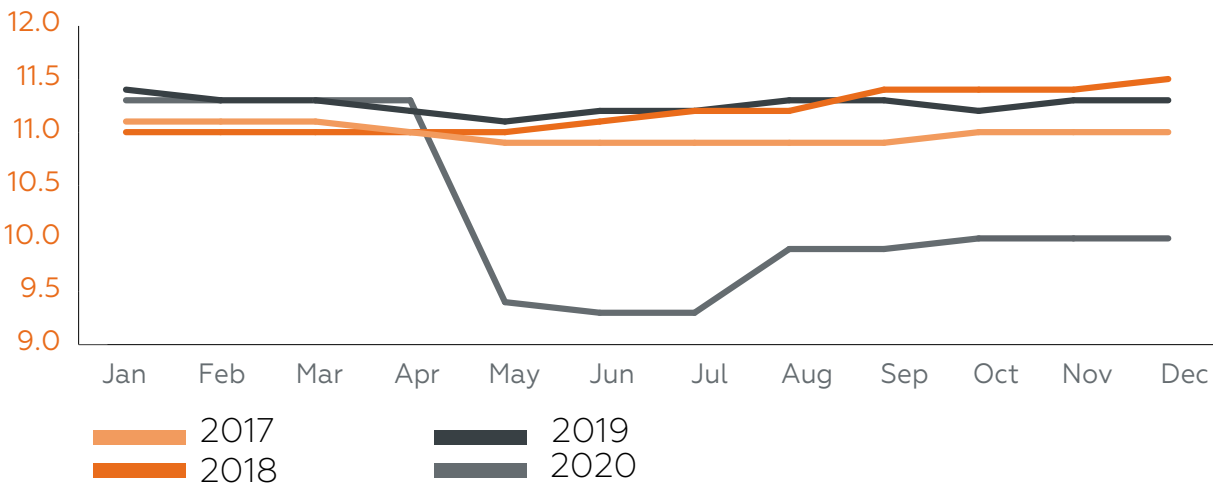
OIL COUNTRY TUBULAR GOODS AND PREMIUM PRODUCTS

The Russian energy complex traditionally demonstrates greater resilience to global crises compared to markets abroad, so the drop in oil consumption due to the COVID-19 pandemic and OPEC+ production restrictions caused a comparatively moderate decrease in demand for oil tubular products. In 2020, Russia decreased its oil and gas condensate production by 8.6% year-on-year to 512.68 million tonnes under the OPEC+ agreements. At the same time, production well drilling in Russia remained high at 27 million meters (– 1% from 2019), while exploration drilling reduced by 13.3% to 984 thousand meters.

23%
the Company's total share of the Russian pipe market for 2020

50%
the share of horizontal drilling in 2020

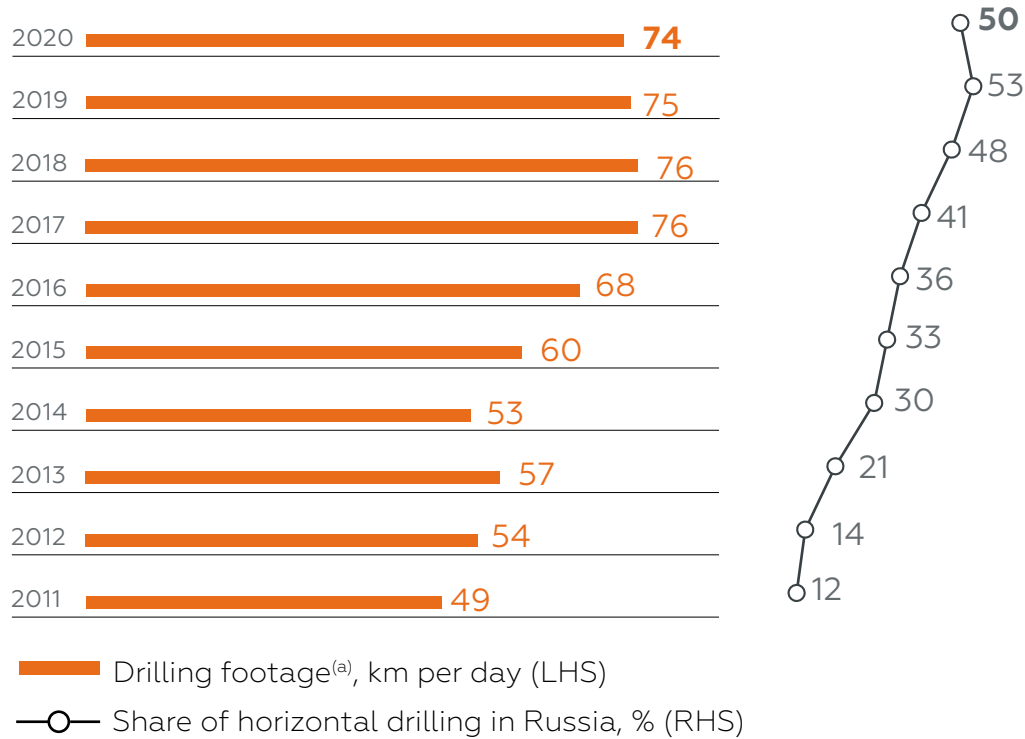
RUSSIAN CRUDE OUTPUT, MILLION BARRELS PER DAY



Source: CDU TEK data

Another OPEC+ agreement, concluded in April 2020, led to lower oil production, which provided significant support to oil prices. However, given the gradual depletion of existing fields in West Siberia, oil companies continued to develop new projects to replace reserves and increase hydrocarbon production after the end of the OPEC+ deal, including high-tech horizontal drilling, the share of which remained high at 50% in 2020.

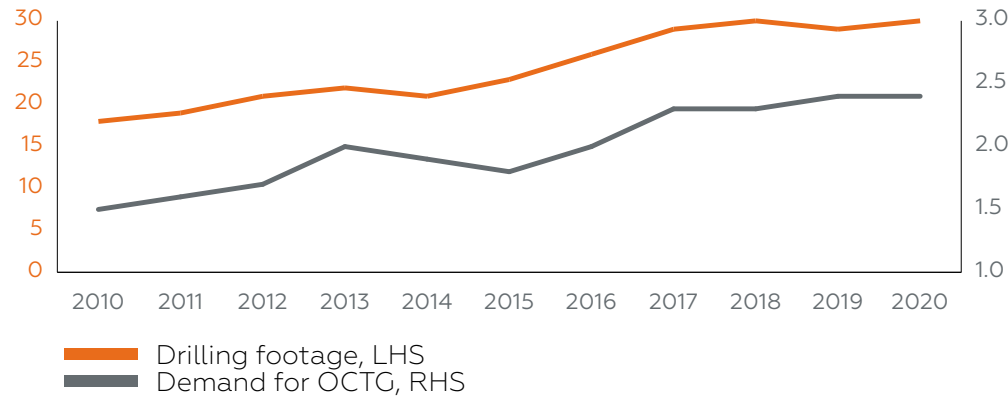
SHARE OF HORIZONTAL DRILLING IN RUSSIA'S TOTAL PRODUCTION DRILLING, %



Source: CDU TEK data, TMK estimate
Note: (a) production well drilling for oil production.

Along with the decline in production well drilling, the OCTG pipe market was down 7% year-on-year in 2020.

DEMAND FOR OCTG IN RUSSIA, MILLION TONNES VS. DRILLING FOOTAGE, MLN M



Source: CDU TEK data, TMK estimate

TMK has been the leader in the seamless OCTG market for many years, thanks to its focus on the development and supply of top-quality, high-tech, reliable, premium tubular products that meet our consumers' specific needs and help them produce hydrocarbons in challenging geological and climatic conditions, including offshore and Far North environments.



In 2019, **for the seventh year running, TMK topped the ranking of Russian suppliers** of tubular products for the oil and gas sector by the Center of Suppliers for the Fuel and Energy Complex (TEK-Rating), a rating agency.

The best suppliers of products and services are determined based on a direct survey of Russia's largest oil and gas customer companies. There is no jury to give final scores as they are based on consumers' responses about their experience with suppliers, including those abroad. The 2020 survey covered leading Russian oil and gas companies such as Gazprom, Rosneft, LUKOIL, Gazprom Neft and other market players.

The ranking of suppliers for the oil and gas industry was first compiled in 2013 in order to promote information support and competitiveness in the supply market for the fuel and energy complex, increase its transparency and openness, and enable the exchange of information on suppliers between fuel and energy companies.

In 2020, TMK focused its efforts on developing and promoting high-tech tubular products and solutions to meet growing customer demands. Despite the challenging global macroeconomic situation caused by the COVID-19 pandemic, oil price volatility and OPEC+ production restrictions, the demand for premium high-tech products remained stable.

During the year, TMK strengthened the sales of its **premium products for offshore projects**.

In 2020, the Company continued integrated deliveries of premium products to LUKOIL for well construction at the Filanovsky and Korchagin offshore fields in the Caspian Sea. TMK also delivered GreenWell lubricant-free coating premium casing pipe, 114.3 and 88.9 mm tubing and 139.7 mm L80 13Cr casing pipe with TMK UP CENTUM threaded connections, which can be used as tubing.

TMK opened a permanent representative office in Yuzhno-Sakhalinsk in November 2019 to provide full technical support to consumers of its products on the island and supply premium products and related services.

In January 2020, TMK and Sakhalin Energy agreed on a joint programme outlining and scheduling technical measures to enhance customer service and technical support for tubular product supplies for the Sakhalin-2 project. The programme documents provide for storage and maintenance of supplied tubular products, which will increase the reliability and efficiency of the strings in onshore fields.

The service development was driven by the growing volume of TMK’s pipe supplies for Sakhalin-2 under a long-term contract. TMK delivered two batches of casing pipe in 2018–2019 and shipped another batch of TMK UP PF threaded premium casing pipe in 2020.

TMK is the only Russian manufacturer of offshore pipes with a diameter greater than 244.5 mm made from 13Cr steel

There is further potential for TMK’s products in projects off Sakhalin, as the Company can offer the full range of tubular products to support oil and gas production in challenging environments. A major breakthrough of recent years has been the production of offshore pipes with a diameter greater than 244.5 mm made from 13Cr steel – **TMK is the only Russian manufacturer of this type of product**.

In 2018, TMK won Russia’s largest tender for the supply of TMK-C casing pipe with TMK UP PF threaded connections to LUKOIL-Komi, with deliveries continuing during 2020.

As part of the import substitution program, Orsky Machine Building Plant shipped to Gazprom 168.3 mm 110CrNi casing pipe with TMK UP PF Premium Connections for construction of production wells in the Astrakhan Region. Earlier, Gazprom purchased such pipes from foreign manufacturers.

In 2020, for the first time ever, TMK shipped tubing to Gazpromneft-Zapolyarye for Kharasaveyskoye gas condensate field comprising 13Cr P110 pipe with TMK UP PF premium threaded connections.

Pipes with premium threaded connections are designed for use in oil and gas wells operating in challenging climatic and geological conditions, including offshore, deep-water and Far North locations, horizontal and directional wells, and unconventional hydrocarbon reserve (shale oil, shale gas and oil sand) development. These connections offer high strength and tightness, along with enhanced resistance to high torsional, bending and tensile loads.

Backed by many years of experience in premium product shipments, TMK is always ready to offer its customers unique engineering capabilities and highly effective pipe solutions delivered to all expectations.

In 2020, TMK continued to develop and promote premium 13Cr and corrosion-resistant chrome-nickel alloy (TMK-C) tubular products.

TMK is one the world’s largest premium connection manufacturers.

DEVELOPMENT OF TMK UP CONNECTIONS



ADVANTAGES



In the reporting year, we expanded our customer base and received new orders for tubular products with TMK UP CENTUM premium threaded connections. The connection is certified to ISO 13679 CAL IV, the strictest international industry standard for premium threaded connections, and demonstrates 100% tension and compression efficiency. The Company started producing casing pipe with TMK UP CENTUM premium threaded connections in 2017.

In 2020, TMK supplied pipe with TMK UP CENTUM premium threaded connections to Gazprom projects (construction of the Kovyktinskoye and Kharasaveyskoye gas condensate fields) and to NOVATEK. TMK UP CENTUM connection successfully passed the EMCEP connection evaluation procedure of Exxon Mobil and was also certified by Shell.

In 2020, TMK continued to develop and launch new premium connections and completed first deliveries of pipes with TMK UP SIMPLEX connection.

To expand its service offering, TMK-Premium Service engineers have developed ExpertProDrilling software to calculate parameters for pipe with premium connections, which makes it possible to select well-specific connections.

2020 became a new stage in the development of pipe-specific services as TMK signed the first service agreement to supervise the installation of TMK UP threaded pipes.

OILFIELD SERVICES

TMK Oilfield Services (TMK NGS) (Yekaterinburg) is a management company for oilfield service enterprises, including: Orsky Machine Building Plant (Orsk, Orenburg Region), Truboplast (Yekaterinburg), TMK NGS-Buzuluk (Buzuluk, Volga Federal District), and TMK NGS-Nizhnevartovsk (Khanty-Mansi Autonomous Area).

TMK Oilfield Services successfully meets market demand for tubing and casing pipe repair, diagnostics and threading, including pipe with TMK UP threaded connections, as well as for internal and external coating on threaded and line pipe.

In 2020, despite the challenging global macroeconomic situation caused by the COVID-19 pandemic, oil price volatility and OPEC+ production restrictions, TMK NGS enterprises were able to adapt to the new market conditions, demonstrating positive dynamics across different areas.

While shipments of oil country tubular goods with anti-corrosion coating decreased, TMK NGS-Nizhnevartovsk nearly doubled the volume of internal coating for tubing and drill pipes through signing direct service agreements in the region of operation. Orsky Machine Building Plant, a high-tech producer of gas cylinders (high-pressure vessels) for storage and transportation of various gases, shipped over 22 thousand gas cylinders, almost flat year-on-year.

TMK NGS-Buzuluk completed over 130 orders in 2020 to provide engineering support for TMK tubular products as well as for running over 310 casing and tubing strings in fields located in Russia, the CIS, and other countries. During the year, TMK continued engineering support for TMK tubular products during the construction of production wells at fields developed by major Russian oil and gas companies.

130 orders
in 2020 to provide engineering support for TMK tubular products

During the year, TMK continued engineering support for TMK tubular products during the construction of production wells at fields developed by major Russian oil and gas companies.

LARGE DIAMETER PIPE

In 2020, the Russian LDP market decreased by 31% year-on-year to 1.4 million tonnes, with most demand for LDP in the Russian market coming from Gazprom and Transneft.

In mid-2020, Gazprom held a tender for the purchase of about 1.3 million tonnes of pipe in 2020–2022 for the construction of the Power of Siberia, Bovanenkovo–Ukhta and Ukhta–Torzhok pipelines. The supply was split between five participants, including TMK. In the reporting year, Gazprom procured LDP for the Power of Siberia project (the section from the Chayandinskoye to the Kovyktinskoye field), development of the Kharasaveyskoye and Semakovskoye fields, and the Bovanenkovo–Ukhta project (3rd string).

In 2020, TMK's share of LDP supply in the Russian market totaled 11%. TMK supplied longitudinally welded large-diameter pipe for Gazprom's Ukhta–Torzhok project (3rd string) and pipe for the repair and maintenance needs of subsidiaries of Gazprom and Transneft as well as for export.

11%

In 2020, TMK's share of LDP supply in the Russian market totaled

INDUSTRIAL PIPE

TMK's core business is OCTG manufacturing. However, the Company also launched new products for construction, utilities, automotive, power engineering, aircraft manufacturing and nuclear industries. In 2020, industrial pipes accounted for 26% of the Group's total sales.

Despite the challenging macroeconomic situation due to the spread of COVID-19 in 2020, welded industrial pipe consumption increased 1% compared to 2019 driven by higher demand from the construction industry after pandemic-induced restrictions were lifted. Seamless industrial pipe consumption in 2020 was down 7% year-on-year.

In 2020, TMK signed an agreement to supply pipes to Amur Gas Chemical Complex, one of the world's largest polymer production enterprises, currently constructed by SIBUR in the Amur Region. TMK will deliver a set of integrated solutions including seamless pipes, welded large-diameter pipes and various pipeline connections (bends, fittings and other pipeline sections) – more than 36 thousand tonnes in total in 2021–2023. Previously, pipes for construction of gas and petrochemical facilities of such scale in Russia were mainly supplied by foreign manufacturers.



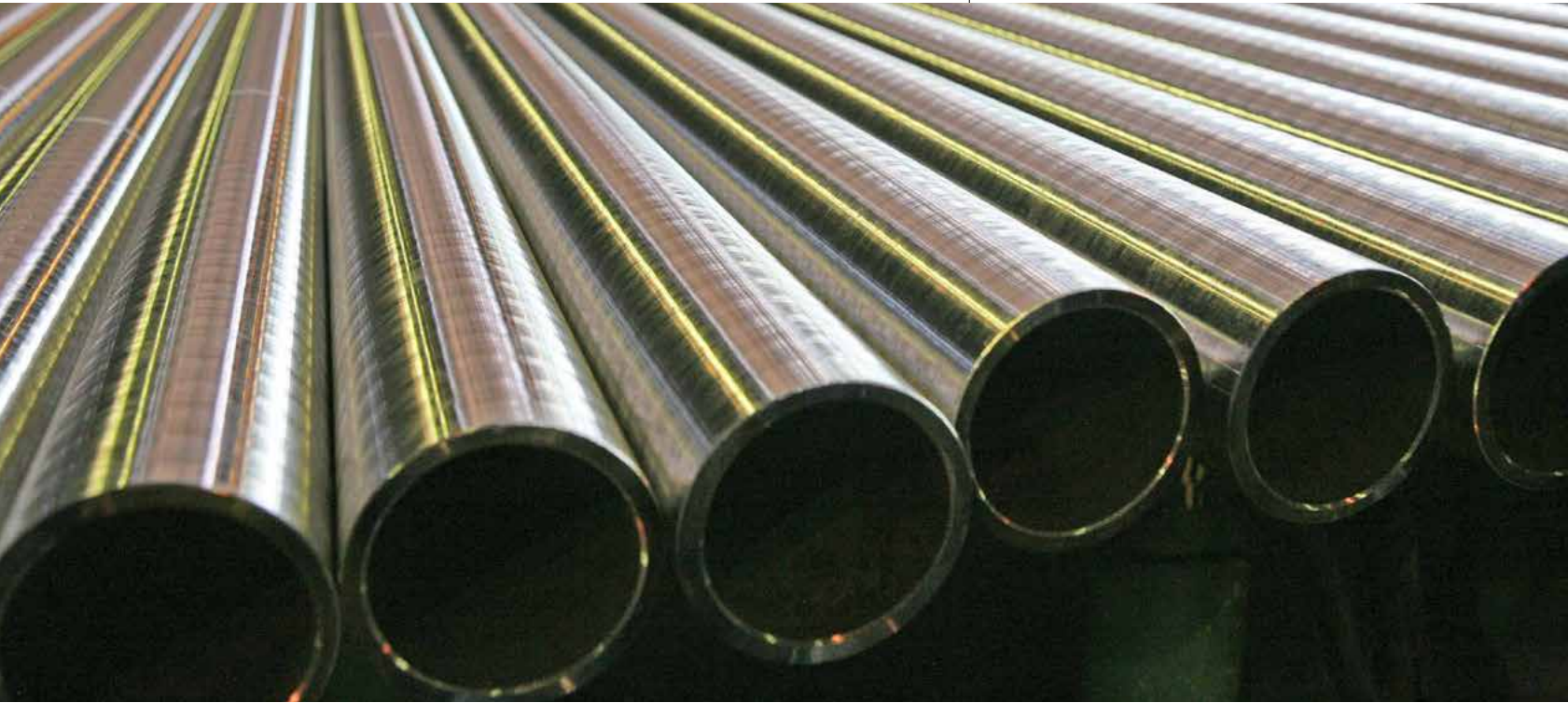
In 2020, TMK and State Atomic Energy Corporation Rosatom continued to strengthen and expand partnership under the agreement on cooperation signed in 2019, whereby the parties agreed to collaborate on the production and use of high-tech tubular products, including joint development of new steel pipes. TMK has developed unique pipes which it will supply to Rosatom's mechanical engineering division for its BREST-OD-300 experimental demonstration power unit. As part of a project to establish the closed nuclear fuel cycle, TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

A technology to produce extra-long heat-exchange pipes made of special durable, ductile steel was developed exclusively for the new power unit. The high-strength austenitic steel withstands both steam water and superheated steam, as well as liquid lead, which is used in a reactor as a coolant. At the same time, the steel's chemical, physical and mechanical properties remain stable along the entire length of the product. The extra-long heat-exchange pipe was developed by TMK subsidiary TMK-INOX together with partners – the Dollezhal Research and Development Institute of Power Engineering (NIKIET), the Bardin Central Research Institute for Ferrous Metallurgy and the Russian Research Institute of the Tube & Pipe Industries (RUSNITI), which is part of TMK.

A technology to produce extra-long heat-exchange pipes made of special durable, ductile steel was developed exclusively for the new power unit.

To expand cooperation with Rosatom and build up its capabilities in the promising nuclear piping market, at the end of 2020 TMK acquired controlling stakes in OJSC Rakityansky Armaturny Zavod and several other companies controlled by LLC Truby 2000, one of Russia's leading manufacturers of nuclear piping systems. Truby 2000 enterprises engineer, manufacture and supply pipeline equipment made of carbon, boiler and stainless steels for nuclear and thermal power plants. The enterprises' aggregate annual capacity is about 1,200 tonnes of pipe, positioning Truby 2000 as one of Russia's top four manufacturers of nuclear piping systems for many years. Since 2007, the enterprises have delivered more than 15 thousand tonnes of pipe for nuclear power plants in Russia and Belarus and currently supply pipe under the delivery agreement to the Akkuyu NPP in Turkey, constructed by State Atomic Energy Corporation Rosatom.

1.2
tonnes of pipe
Truby 2000's aggregate annual capacity



EUROPEAN PIPE MARKET

In 2020, the European steel pipe market shrank considerably due to the decline in industrial production amid the COVID-19 pandemic and an unprecedented economic slowdown at the beginning of the year – demand fell by 11.5%, which was the most significant downturn in the EU history. According to IMF estimates, GDP within the Euro area dropped by 7.2% in 2020. The European Central Bank forecasts that the European economy, including its industrial production, will begin to recover in 2021. At the same time, Eurozone countries already showed some signs of growth in 3Q 2020 after major restrictions were lifted. Given the weakening impact of the COVID-19 situation and government support for the industry, the demand for steel pipe in Europe is expected to rebound in 2021.

The decline in seamless steel pipe prices in the European market, which began in late 2018, slowed somewhat in 2020. Despite rising production costs, the competition for orders between steel pipe manufacturers kept prices fairly low, but at the end of 2020, there was a slight upward trend.

Throughout 2020, many governments focused on financing healthcare and social support due to the pandemic’s negative effects, so a lot of investments in oil and gas construction, transportation and production projects were suspended or postponed. According to various estimates, the average steel pipe consumption in the European market decreased by about 20% year-on-year. We estimate the average capacity utilization rate among pipe manufacturers in 2020 at about 63%, while TMK-ARTROM was able to maintain the capacity utilization rate at around 80% due to efficient management and rapid response to any changes in the market.

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We expect that the improving COVID-19 situation, along with the large-scale vaccination drive, will enable main consumers of pipe products to resume their investment activity. EU countries are discussing a funding plan to mitigate the impact of the Coronavirus pandemic, under which more than EUR 70 billion are expected to be allocated to Romania. Romania-based TMK Group companies received additional assistance from the government as partial compensation for purchasing carbon offsets by TMK Group companies in 2019.

TMK’s European division focuses its marketing efforts first on enabling the Company to adapt swiftly to changing market conditions and offer optimal solutions to its customers. Despite the decline in seamless steel pipe consumption in Europe due to the unfavorable macroeconomic environment, TMK-ARTROM was able to maintain relatively stable monthly shipments compared to 2019. The European division’s sales volume in 2020 was 174 thousand tonnes, down 7% year-on-year.

PIPE SALES AT THE EUROPEAN DIVISION, THOUSAND TONNES



Source: TMK

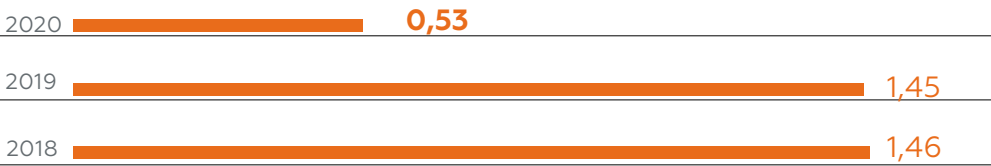
174
thousand tonnes
the European division’s sales
volume in 2020

In view of the increased global focus on cutting CO2 emissions, during the year TMK-ARTROM successfully passed audits for conformity of its tubular products with standards for hydrogen production and transportation, as well as for hydrogen concentrations in natural gas (methane). In addition, it continued the pipe certification process for customers from various industries. Pipes produced by TMK's European division can be used in the production of agricultural machinery, high-speed trains, mining and gas industries.

In 2020, TMK-ARTROM continued to further its partnerships with major European vehicle manufacturers: TMK-ARTROM's second joint project with Renault-Nissan on a new Dacia Duster model saw further progress; another project was started, currently in the planning stage; TMK-ARTROM also successfully passed qualification audits by several vehicle manufacturers and industrial companies. In addition, TMK-ARTROM's pipes comply with the recommendations of the European Industrial Gases Association for hydrogen transportation pipelines (IGC Doc 121/04/E) and have been tested in a hydrogen environment.

In 2020, the list of customers of TMK's European division was expanded to include new companies from the USA, Canada, Vietnam, UAE and Singapore. TMK-ARTROM also entered the entirely new Ecuadorian market.

EUROPEAN DIVISION'S EBITDA, RUB BLN



Source: TMK

TMK-ARTROM products have been certified by the American Petroleum Institute, the only national US non-governmental organization providing regulation for the oil and gas industry.

In 2020, the European division's corporate quality management system successfully passed a recertification audit for IATF 16949:2016 conducted by the British Lloyd's Register.

Despite the challenging macroeconomic environment in 2020, TMK's European division fully delivered on its plan for selling steel pipes manufactured by TMK's Russian plants in the European market. Positive highlights included shipments of casing pipe to Serbia and Romania, exceeding the sales plan by more than 20%, and the first delivery of about 190 tonnes of casing pipe with premium connections to the Romanian division of Hunt Oil Company. This compensated for significantly lower sales in the American market, impacted by such factors as low pipe consumption due to reduced investments in oil and gas exploration and production, high pipe inventories of products in customers' warehouses, and the government's economic stimulus.

In 2020, TMK's European division rolled out digital technologies on a large-scale: first steps were taken to digitize laboratory studies – including the introduction of data-driven testing, and planning of the next stage – introduction of automated reports on pipe rolling mill testing.

Amid pandemic-induced lockdowns, TMK-ARTROM ensured high efficiency of day-to-day operations through a number of measures: VPN technology to increase staff mobility and shift employees to remote work without loss of effectiveness, and Cisco technologies to conduct meetings online. In addition, all facilities within TMK's European division are equipped with an electronic access control system.

TMK-ARTROM continued to further its partnerships with major European vehicle manufacturers

Quality management system successfully passed a recertification audit for IATF 16949:2016

INNOVATION AND R&D COOPERATION

Deploying the latest technologies, the development and rollout of knowledge-intensive products and solutions, and rapid responses to new technology challenges, customer demands and preferences are all important drivers of the Company’s competitive edge in today’s global pipe market.

In 2020, TMK conducted research and development of new products at its own corporate centers: RUSNITI in Chelyabinsk and TMK’s R&D facility in Moscow’s Skolkovo Innovation Center.

This new TMK-owned R&D facility has become an important element of the Skolkovo Innovation Center ecosystem, offering unique professional development opportunities for a new generation of Russian engineers and researchers. For TMK’s R&D facility, 2020 was a period of building a research team, establishing ties with research organizations and teams of researchers and developers, mastering phase one’s set of unique equipment to both study structure and properties of materials, and to undertake full-scale research testing of new product samples made of them, as well as advancing projects in modeling and digitization of key production processes. The integrated capabilities of the corporate R&D facility in Skolkovo have helped to step up the development of new materials, designs and connection solutions for increasingly complicated hydrocarbon production conditions, as well as for other applications. In 2020, investments to complete and equip the center totaled more than RUB 300 million.

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300
RUB mln

investments to complete and equip
the center totaled in 2020

During the year, TMK’s R&D facility in Skolkovo successfully used its new unique equipment to conduct the first performance tests on two new TMK UP CENTUM and TMK UP MAGNA threaded connections for casing pipe. The reliability of these products under extreme conditions was confirmed by physically simulating the behavior of pipes with connections under high mechanical loads and elevated temperatures according to ISO 13679 and ISO 12835.

Joint research programmes between RUSNITI, TMK’s R&D facility in Skolkovo and TMK plants widely use the new capabilities of the laboratory equipment set, in particular, electron microscopy, physical and chemical analysis and mechanical properties analysis tools, to explore and develop new materials with increased strength and reliability, including special steels and alloys. This enables addressing complex tasks throughout the entire value chain, from the development and testing of new materials, products and processes to the commercialization stage.

During the reporting year, TMK launched systematic collaboration with the Skolkovo Institute of Science and Technology in mechanics of materials, digital operations, digital twins, and the rollout of machine learning, machine vision, and predictive analytics technologies across TMK’s core production processes.

In 2020, TMK acted as an official partner of the Skolkovo Foundation in establishing and running Russia’s first accelerator for green technology startups, GreenTech Startup Booster, supported by the Russian Ministry of Natural Resources and Environment, Ministry of Construction, Housing and Utilities and Ministry of Energy. The project selected pilot projects offering innovative solutions for effective monitoring, reduction of per unit environmental impacts and integrated waste management.

TMK’s R&D facilities team up with specialized research organizations and universities in advancing experimental research across the following areas:

- Improving technologies to boost the economic efficiency of pipe and billet manufacturing, reduce production costs, enhance product performance, quality and appearance, improve working conditions and green operations;
- Ramping up new production capacity at TMK plants;
- Creating new technologies to manufacture new products;
- Deploying digital technologies;
- Improving the regulatory framework and technical documentation, developing national and corporate standards for pipe, billets, and flat-rolled products;
- Use of special steel grades to make products with specific properties;
- New threaded connections for drill pipe, casing and tubing for use in new hydrocarbon production technology applications.

In the reporting year, we developed, tested, and deployed a considerable number of innovative technologies and solutions:

- Corporate standards for products; state-of-the-art test methods;

In 2020, TMK acted as an official partner of the Skolkovo Foundation in establishing and running Russia’s first accelerator for green technology startups, GreenTech Startup Booster

- New types of pipe and threaded connections with improved reliability and strength, designed to develop unconventional hydrocarbon reserves;
- Rollout of new steel grades for pipe with increased resistance to sulfide corrosion cracking and local deformation for onshore and subsea pipelines;
- Expanding the product range of corrosion-resistant high-strength tubing and couplings made of complex alloy steel grades.

The achievements of TMK’s young researchers in developing, adopting and implementing high-impact, knowledge-intensive technologies for seamless pipe production through new theoretical models and digital twins were recognized by the Russian Federation Government Prize for Science and Technology in 2020.



R&D COOPERATION

TMK has a long history of successful collaboration with major consumers of tubular products through joint programmes for R&D cooperation.

Five R&D cooperation programs were implemented with Gazprom between 1998 and 2020. As part of these programs, unique import-substituting products have been rolled out to replace the imports that Gazprom previously sourced in markets abroad, such as CO2 service casing and tubing, TMK-C chrome and nickel alloy tubing, seamless and welded pipe for subsea pipelines, etc.

Under the joint R&D cooperation programme, TMK has committed itself to launching the production of import-substituting products within a set timeframe and at its own expense. These are advanced niche tubular products previously imported by Gazprom from abroad: pipes of special chromium-nickel alloys, of martensitic (13Cr and 13CrS – super chrome) grade steel, pipe with GREENWELL lubricant-free connections, as well as sour service pipe. The Company supplied 10,600 tonnes of these products to Gazprom subsidiaries over the contract period of 2016–2019. As a result of a long-term agreement with Gazprom, more than RUB 10.5 billion was invested in production capacity expansion, including unique testing equipment for TMK’s R&D facility in Skolkovo.

The format, content and toolkits of R&D cooperation programs are constantly evolving to match the objectives of customers. Today, along with the traditional R&D development program, TMK pursues joint projects with Gazprom under a long-term agreement providing for the serial production, deliveries, as well as maintenance, service and repair of import-substituting products against guaranteed supply volumes. A roadmap for the Smart Pipe project has also moved forward to build a gas pipeline monitoring system and roll out real-time controls for gas pipeline stress strain behavior and temperature.

5 R&D cooperation programs were implemented with Gazprom

Another example of the positive collaboration between TMK and Gazprom is the development of new product types to tap the Astrakhanskoye oil and gas condensate field with high H2S and CO2 content. TMK launched the production and successfully delivered OCTG to LLC Gazprom Dobycha Astrakhan for the Astrakhanskoye oil and gas condensate field. A total of three new product types were rolled out under the project, two of which had not previously been commercially manufactured by TMK due to a lack of consumer interest in domestic products – T95SS-grade casing and 89 mm and 114 mm C90SS-grade tubing, both for sour service. In addition, the Company has launched the production of tubing from the unique TMK-C chrome and nickel alloy, which has a high chromium and nickel content, preventing pipe corrosion in extreme downhole conditions with the double impact of high concentrations of hydrogen sulfide and carbon dioxide.

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TMK is building relationships with other customers following a similar pattern. For example, special roadmaps are being implemented with Sakhalin Energy and Exxon Neftegas Limited, and a technology partnership model is being built with Gazprom Neft, providing for potential co-investment in agreed projects and challenges with further allocation of responsibility and benefits through special funds, startups and accelerators.

TMK has a long-standing partnership with Rosneft. TMK’s efforts under its five-year memorandum of understanding on cooperation in the implementation of the programme for import substitution of pipes for offshore projects were recognized in 2020 by a positive assessment from Rosneft representatives.

A new focus area for TMK is a cooperation agreement with State Atomic Energy Corporation Rosatom, in effect since 2019. Currently, 15 joint projects are advancing within the cooperation roadmap across eight areas of collaboration, such as the production and applications of high-tech tubular products, including development of new types of steel pipe, as well as R&D cooperation in developing new technical standards and R&D projects to create new steel grades.

As part of its cooperation with Rosatom, TMK is actively rolling out new types of high-tech tubular products in various sizes to meet the needs of the corporation’s enterprises. For example, unique pipes were developed for Rosatom’s mechanical engineering division for its BREST-OD-300 experimental demonstration power unit, which is to be built as part of the Technology Breakthrough project in Seversk, Tomsk Region. As part of a project to establish the closed nuclear fuel cycle, TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

15
joint projects
are advancing within the
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Unique pipes were developed for Rosatom’s mechanical engineering division for its BREST-OD-300 experimental demonstration power unit, which is to be built as part of the Technology Breakthrough project.

200 ths m
of pipe to equip the steam generators
of a fast neutron reactor

TMK was the first company to successfully roll out in the shortest timeframe pipe products to meet the general technical requirements of Rosatom, to be used in all new NPP units with VVER reactors. The development of products to the new standards will reduce metal intensity of NPP equipment and significantly increase service life due to enhanced strength of pipework metal. The new standards will help standardize the product mix, as the standards are harmonized with the international ISO standard. TMK uses its co-chairmanship of Technical Committee 357 to actively promote, together with CNIITMASH, Rosatom’s modern requirements for the life cycle of NPP units – 60 years.

As part of its strategic goals of localizing the manufacture of gas production equipment in Russia, TMK has teamed up with Chepetsky Mechanical Plant, a Rosatom division, to launch the production of pipe made of TMK-C corrosion-resistant chrome-nickel alloy. Hot-deformed pipe produced by Volzhsky Pipe Plant is cold-rolled at Chepetsky Mechanical Plant, and the resulting cold-deformed pipes are passed on to Sinarsky Pipe Plant for threading gas-tight premium threaded connections developed by TMK. The 114 mm pipe resulting from this collaboration has been certified by PJSC Gazprom and will be supplied to its Astrakhanskoye gas condensate field, effectively replacing the imported counterparts purchased before.

DIGITAL TRANSFORMATION

In 2020, TMK’s digital transformation efforts were focused on the implementation and deployment of large-scale cross-functional solutions affecting various areas of the Company’s business.

The key area of TMK’s ambitious digitalization programme is embedding digital technologies in the operational management system. Our digital transformation journey is part of the wider **TMK’s Digital Production** program, which is aimed at driving the efficiency and quality of the operational management system covering production and production processes, including by improving planning to increase productivity, production rhythm and resource efficiency and hence contribute towards TMK’s strategic goals.

Digital transformation of production is based on a comprehensive solution and is driven by six interrelated projects covering all production processes: Manufacturing Execution System (MES) project, which includes major subsystems of operational production management across the Company’s plants, its functionality comprising the execution of core production operations, technical control (quality assurance) and inventory management; LIMS projects (laboratory testing), TORO (equipment maintenance and repair), ENERGY (energy resources), PIMS (storage and sharing of process and production data) and FLOW (product traceability at process level).



Project

MES

Execution of core production operations, technical control and inventory management



Project

LIMS

Day-to-day laboratory information management



Project

TORO

Management of equipment maintenance and repair



Project

ENERGY

Energy management



Project

PIMS

Data infrastructure creation



Project

FLOW

Product identification and traceability system

TMK’s Digital Production programme covers six enterprises (19 shops) of TMK’s Russian division: Volzhsky Pipe Plant, Seversky Pipe Plant, Sinarsky Pipe Plant, Taganrog Metallurgical Works (TAGMET), TMK-CPW and TMK-INOX.

The first stage of TMK’s MES project involves a large-scale re-engineering of operational production management processes based on digital technologies and driven by maximized unification across all TMK enterprises. At its second stage, in 2022, the new MES system is expected to be deployed at pilot shops of participating enterprises, including Volzhsky Pipe Plant, Seversky Pipe Plant, Sinarsky Pipe Plant and TAGMET. During the final stage, the new system will be rolled out to the remaining shops as well as to TMK’s other facilities. The PSImetals solution by PSI, a German company specializing in software for the steel industry, was selected as the core technology platform to support our digitalization journey.

PIMS and TORO projects have piloted and tested new digital tools. We collate data about the operation of steelmaking units to implement their digital twins, which are the source of data for the MES system.

Projects to develop an industrial equipment monitoring system based on the Winum digital information platform were implemented at TAGMET and Sinarsky Pipe Plant within the FLOW focus area. The implementation of the remaining modules – LIMS, ENERGY and FLOW – will start in 2021.

A great deal of preparatory work has been completed for the rollout of an Integrated Planning System (IPS). The large-scale project, launched in October 2019, aims to build a 1.5 year forward high-level sales and operations planning system (S&OP concept). It leverages the SAP IBP software solution as well as PSI tools to implement order portfolio management, as well as scheduling and master production scheduling at TMK plants. Once launched, the new software products will enable planning of optimal margins and capacity utilization based on reliable data and leveraging the most advanced analytical tools. The High-Level Planning (SAP IBP) and Order Portfolio and Technical Order Processing (PSI Metals) modules are scheduled for launch in the first half of 2021.

19 shops
TMK’s Digital Production programme covers six enterprises of TMK’s Russian division

The first stage project involves a large-scale re-engineering of operational production

In spring 2020, TMK’s sales unit launched the **Digital Heart of Sales** project to implement a CRM system based on SAP Sales Cloud. The solution includes two modules: basic SAP C4C (to manage customer relationships) and SAP CPQ – product catalog configurator offering a toolkit to optimize pricing and quote management. The new products will be integrated into TMK’s existing information systems, enabling rapid sharing of data about customers, orders, production planning and shipments. In addition, the system will be synchronized with e-mail and TMK’s eTrade online store. The implementation of an advanced automated solution will open up new opportunities in customer relationship management, and enable the digitization and structuring of the sales planning and tracking process, converting it into a functional and flexible tool.

This solution, driven by an innovative software suite from SAP, is one of the first implementations in the CIS. The implementation process involves three stages, with stage one focused on the automation of business processes in domestic sales. Stage two will roll out the SAP Sales Cloud solution to the sales teams focused on domestic energy markets. Stage three will cover sales to overseas customers. The CRM system is scheduled to be fully launched into commercial operation by mid-2021.

In spring 2020, TMK’s sales unit launched the Digital Heart of Sales project to implement a CRM system based on SAP Sales Cloud.

An important milestone in TMK’s digitalization journey was the approval in June 2020 of TMK’s 2025 Digital Vision, which aims to widely implement Industry 4.0 digital technologies, and build a digital ecosystem with customers and suppliers, technology partners, universities and research groups to improve the quality and performance of products and services.

The implementation of initial digital initiatives has already shown results:

- A project to deploy robotic process automation (RPA) in market position analysis was completed;
- A recruitment software chatbot was launched to identify job seekers and handle CVs;
- A project to roll out an RPA software bot was completed in reconciliation management;
- Chatbot technology was piloted and tested in selected general and administrative processes at the management company.

TMK recognizes the value of big data-driven management decision-making and remains focused on driving internal efficiencies as part of its vision of becoming a data-driven¹ company. A single platform for building a corporate data mart is being tested and selected, with several more initiatives in the pipeline.

TMK was the first company in Russia to launch an online tubular product store - **TMK eTrade** - in 2017. The launch of an additional, online sales channel has provided the Company with a global reach and strengthened its position in the spot market. At present, the entire range of products from TMK plants (Volzhsky Pipe Plant, Seversky Pipe Plant, TMK-CPW, TAGMET, Sinarsky Pipe Plant, TMK-INOX) can be purchased on the TMK eTrade platform, and orders can be placed for future pipe production.



TMK eTrade
online tubular product
store

An important milestone in TMK’s digitalization journey was the approval in June 2020 of TMK’s 2025 Digital Vision.

The online store is constantly being improved, with additions to its toolkit and functionality. In 2020, an option was made available to Kazakhstan-based non-residents of Russia to purchase pipe from stock at TMK-Kazakhstan production site; the product offering was expanded with stainless steel pipe by TMK-INOX; the online store’s design was updated and a chatbot was deployed to advise users on a range of matters and, if necessary, pass on the chat to an appropriate Company employee; and the integration of the online store and the new CRM system in Sales is in progress.

In the reporting year, as part of the ongoing automation project covering existing business processes, we continued the transition to electronic document management (EDM), covering both external (suppliers and customers) and internal (plants exchanging documents on the domestic tubular product sales process) users. The COVID-19 pandemic has demonstrated the convenience and importance of promoting digital collaboration and building partner ecosystems. This process will gain further scale in 2021.

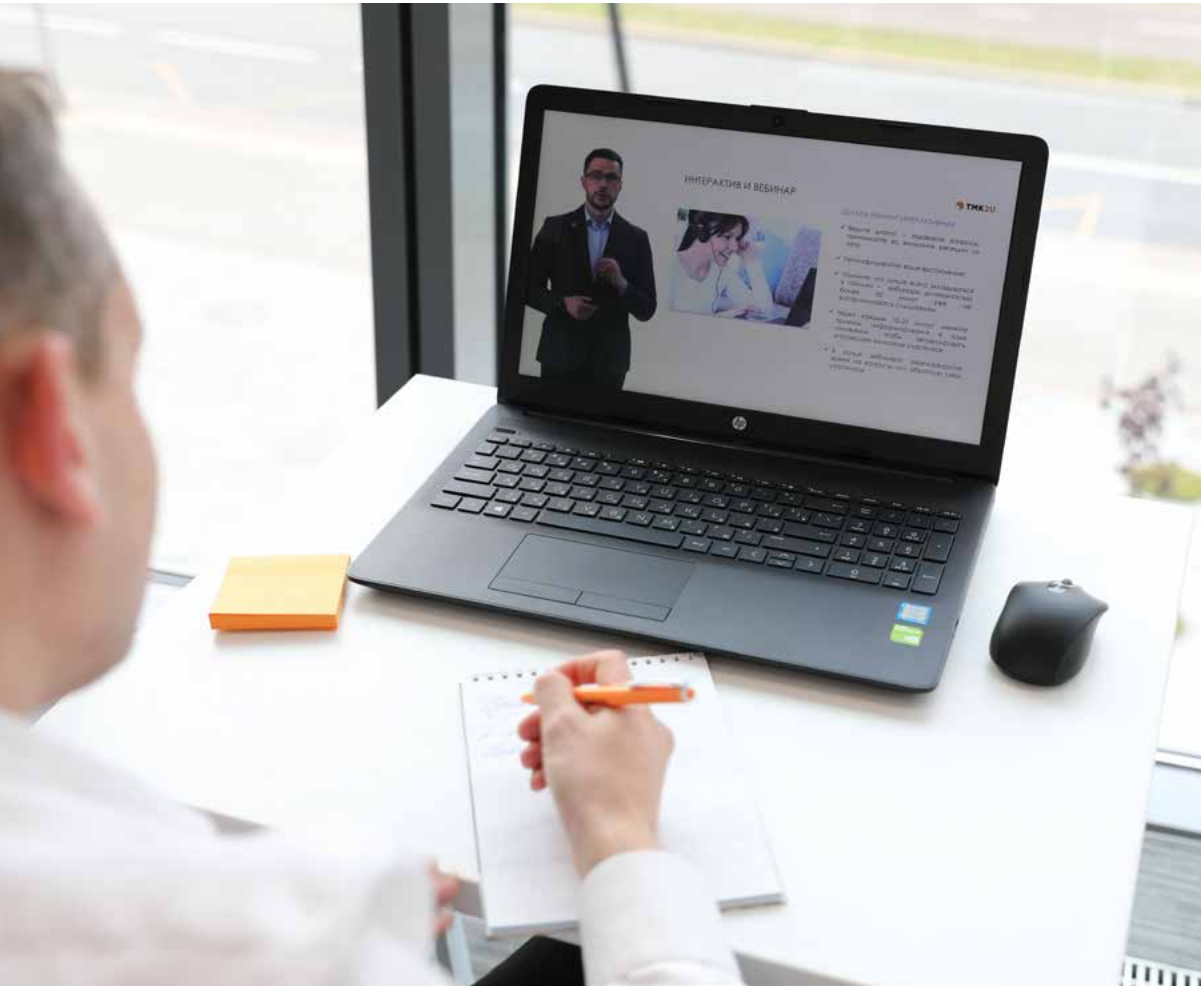
In 2020, TMK was one of the first companies in Russia to start the process of shifting its workforce to remote work amid the pandemic. The Company’s IT team deployed remotely controlled cross-platform mobile workstations for employees in the shortest possible timeframe – leveraging the previously implemented hybrid cloud-based data center. This has enabled a smooth transition with almost no interruption to business processes.

In the reporting year, as part of the ongoing automation project covering existing business processes, we continued the transition to electronic document management.

In 2020, TMK was one of the first companies in Russia to start the process of shifting its workforce to remote work amid the pandemic.

¹ Driven by Big Data.

TMK’s project to set up cloud-based workstations for remote workers won the Project of the Year competition organized by the GlobalCIO | DigitalExperts professional community in the Cloud Environments category. The Project of the Year competition is held annually; projects compete in different categories grouped into three main areas: Best Domain-Specific Solution, Best Industry Solution and Best Management Project. Winners are selected through an independent online voting by members of the GlobalCIO | DigitalExperts professional community. Entries are assessed across a range of criteria including: scale, business impact, project complexity and optimal task match.



In the reporting year, the project to automate health checks, piloted at TAGMET in 2019, was moved forward. «Electronic» health checks were rolled out to four more TMK plants: Seversky Pipe Plant, Volzhsky Pipe Plant, Sinarsky Pipe Plant and Orsky Machine Building Plant.

In November 2020, TMK launched a new corporate website, the result of extensive modernization of the Company’s online presence drawing on state-of-the-art technology solutions.

In 2020, a joint project was also launched by TMK Group and Sinara Group to establish a Business Service Center in Yekaterinburg, LLC TsBU. The new structure will take over part of the business functions across the following areas: accounting, finance, HR management, legal support and information technology. The project has completed a diagnostic phase, mapping and analyzing the existing processes for each function and assessing the choice of solutions for effectiveness and efficiency. The diagnostic resulted in granular maps of business processes and an interaction map. Core IT solutions and platforms were also identified, and the development of regulatory documents and control environment was started for the service center.

The Company is working to transform its vast paper-based document flow into a single electronic archive. In 2020, the ECM systems were evaluated as part of the electronic archive implementation project, an IT system was selected, and an implementation contract was signed. A joint working group of TMK and Sinara Group kicked off the project’s system design stage. To ensure the effective management of services within the center, we plan to implement service management in accordance with the ITSM methodology and automate service delivery process using a service desk solution. At the end of 2020, eight systems were evaluated as part of a tendering process to select a service desk system. The winner was the Creatio system, a platform for business process management. The platform is expected to drive our digital transformation projects, including personal account, intranet portal, travel management, among others.

In 2020, a joint project was also launched by TMK Group and Sinara Group to establish a Business Service Center.

In November 2020, TMK launched a new corporate website.

ENERGY CONSUMPTION AND EFFICIENCY

ENERGY CONSUMPTION BY PAO TMK AND ITS RUSSIAN DIVISION¹ SUBSIDIARIES IN 2018–2020

Type of energy source	Unit of measurement	Consumption by volume	Consumption by value (RUB mln)	Consumption by volume	Consumption by value (RUB mln)	Consumption by volume	Consumption by value (RUB mln)
		2018		2019		2020	
Natural gas	ths m ³	708,793	3,188	678,922	3,136	661,658	3,117
Electricity	ths kWh	3,148,077	9,515	3,073,858	10,080	2,899,829	9,943
Heat	Gcal	1,046,475	1,477	945,478	1,420	894,020	1,431
Gasoline	tonnes	202	10	241	12	230	12
Diesel fuel	tonnes	3,089	136	3,605	165	3,286	153
Fuel oil	tonnes	2	0.02	299	3	128	1
Total			14,327		14,816		14,657

ENERGY EFFICIENCY

Improving the energy efficiency of operations is one of TMK’s key strategic objectives in ensuring the sustainable and cost effective use of natural resources and energy, reducing greenhouse gas emissions and increasing the competitiveness of its products.

The Company is implementing the Programme to Improve Energy Efficiency and Fuel and Energy Saving. All TMK plants are certified to ISO 50001:2011 international standard Energy management systems.

All TMK plants are certified to ISO 50001:2011 international standard Energy management systems.

The energy savings achieved by initiatives aimed at reducing energy consumption across TMK operations and improving energy efficiency in 2019–2020 totaled RUB 488.1 million, or 38,455 tonnes of oil equivalent. The cost of these measures amounted to RUB 225.6 million in 2020.

488.1
RUB mln
energy efficiency

¹ The table compares changes in energy consumption by the Russian division’s plants and subsidiaries.

KEY INITIATIVES IMPLEMENTED AT TMK PLANTS IN 2020

Volzhsky Pipe Plant

- Increasing the electric arc furnace (EAF) power-off time during the hour intervals of working day capacity monitoring
- Reducing the overall heating and drying time for casting ladles due to reduced number of ladles
- Reducing the consumption of compressed air in the plant’s main shops by 3% by adjusting condensate drains and traps, timely repair of valves and elimination of pipe fissures
- Shifting heating of the EAF shop’s production areas to hot water supply
- Reducing oxygen consumption in the EAF shop by operating a single air separation unit
- Adjusting the nitrogen dosing mode in the EAF shop hopper

TAGMET

- Upgrading lighting systems, including the replacement of mercury-vapor and sodium-vapor lamps by LED lamps in the EAF, pipe rolling and pipe-welding shops.
- Changing the operating modes of the EAF transformer
- Achieving fresh water savings of 200 thousand m3 through the use of process water in the chemical wastewater treatment unit and the use of blow-down water for desalination in the EAF shop’s water treatment units

Seversky Pipe Plant

- Reducing the cost of power capacity for Seversky Pipe Plant without changing the volume of electricity consumption by reducing the capacity of the electric arc furnace in the EAF shop during peak energy demand hours
- Optimizing the use of static VAR compensators Shutting down FKU-4 (harmonic filter) at Seversky Pipe Plant’s 220 kV substation during summer period
- Reducing the purchase price of natural gas for Seversky Pipe Plant’s industrial site through negotiations with the gas supplier

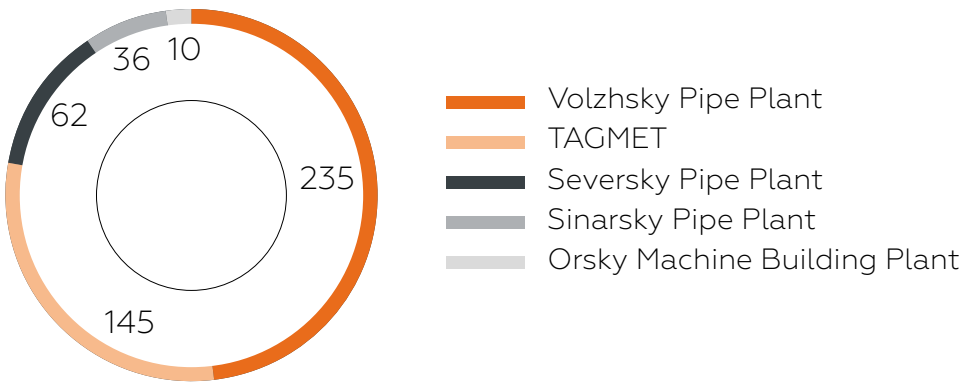
by **3%**
reducing the consumption of compressed air in the plant’s main shops

200
ths m³
achieving fresh water savings

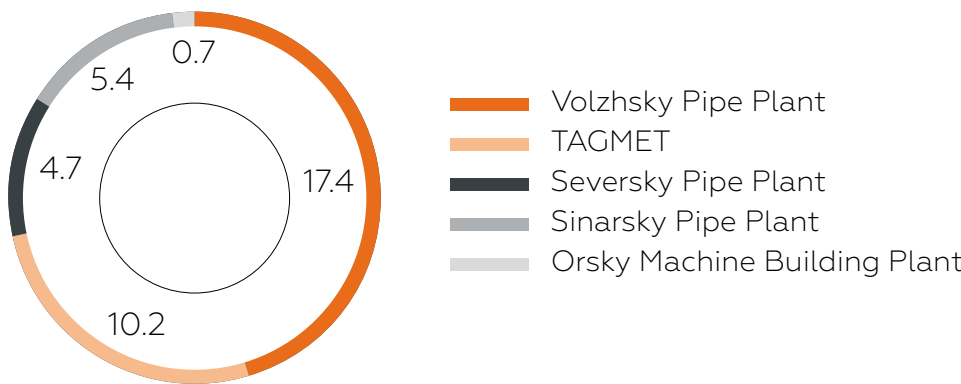
Orsky Machine Building Plant

- Using the existing modular gas-fired boiler house for process water heating instead of electric water heaters (gas cylinder production)

ENERGY SAVINGS AT TMK PLANTS IN 2020, RUB MLN



ENERGY SAVINGS AT TMK PLANTS IN 2020, TOE



R&D FACILITY'S BUILDING AT THE SKOLKOVO

TMK'S R&D FACILITY'S BUILDING IN SKOLKOVO EARNED INTERNATIONAL RECOGNITION FOR ENVIRONMENTAL AND ENERGY PERFORMANCE

TMK's R&D facility's building at the Skolkovo Innovation Centre received LEED Gold, a highly acclaimed international green building certificate, awarded by the U.S. Green Building Council (USGBC) following a multi-stage certification process.

TMK's R&D facility in Skolkovo therefore became the 33rd LEED Gold certified building in Russia.

Leaders across the globe have made LEED (Leadership in Energy and Environmental Design) the most widely used green building rating system, which validates the most efficient and environmentally friendly methods of design and construction.

The R&D facility became the first LEED Gold certified building in Skolkovo, which hosts research centers of well-established Russian and international companies.

33rd

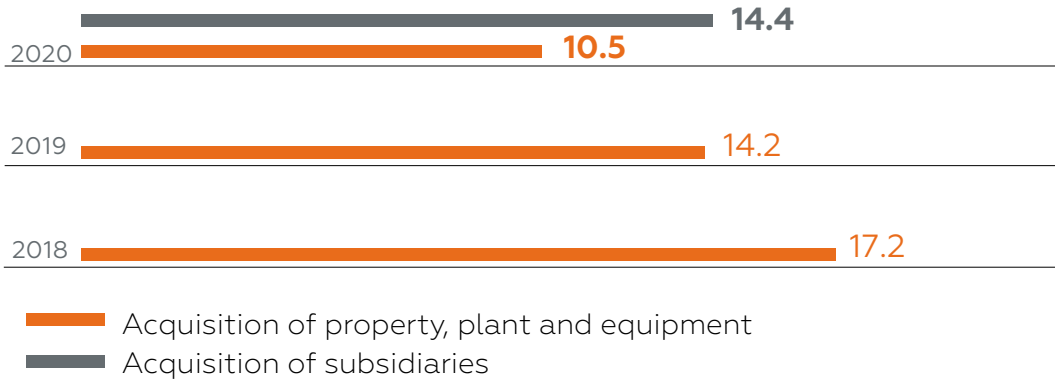
TMK's R&D facility in Skolkovo became LEED Gold certified building in Russia

1ST BUILDING

LEED Gold certified building in Skolkovo, which hosts research centers of well-established Russian and international companies

CAPITAL EXPENDITURES

CAPITAL EXPENDITURES, RUB BLN



In 2020, TMK Group’s expenditures on the acquisition of property, plant and equipment totaled RUB 10.5 billion (down 26% year-on-year). The Company adjusted the scope of its investment programme amid a challenging macroeconomic environment and prioritized projects aimed at expanding its OCTG and high value-added product manufacturing capacities, improving the reliability of heat supply and energy efficiency of operations, as well as reducing the environmental footprint of operations.

During the reporting year, TMK made a number of acquisitions worth a total of RUB 14.4 billion: acquisition of a 100% interest in LLC Parus metallurgical company (renamed to TMK – Yartsevsky Metzavod), as well as controlling stakes in several enterprises under LLC Truby 2000, one of Russia’s leading manufacturers of nuclear piping systems. The Company also increased its stake in the authorized capital of JSC Uralchermet, specializing in protective coating for pipes, to 75%.

During the reporting year, TMK made a number of acquisitions as part of the diversificational strategy of the product portfolio.

KEY PROJECTS COMPLETED UNDER THE STRATEGIC
INVESTMENT PROGRAMME IN 2020

Volzhsky Pipe Plant

- The active implementation phase of the Technical Development of Pipe Rolling Shop No. 2 project was launched, aimed at increasing production of pipes from difficult-to-form steel grades and alloys to 55,000 tonnes per year
- The implementation of the environmental programme was continued – the construction of Hazard Class 4 to 5 landfill cell No. 8 at the landfill was completed
- ECO HOUSE TMK administrative and laboratory complex for the plant’s environmental function was launched. ECO HOUSE TMK features rooms for analytical monitoring of various environments – atmospheric air, natural, fresh and waste water, workplace air – as well as the assessment of human exposure to physical factors, and offices for employees. The environmental center is fitted with state-of-the-art equipment and high-precision measuring tools to support research



The environmental center is fitted with state-of-the-art equipment and high-precision measuring tools to support research.

Seversky Pipe Plant

- As part of a comprehensive revamp of the pipe-rolling facilities, the construction of a seamless pipe heat treatment facility was completed, and equipment with a capacity of up to 300,000 tonnes per year was put into operation. The technology and capacity are currently being ramped up.

The new integrated facilities were built through a partnership with RUSNANO under an agreement to upgrade Seversky Pipe Plant. The heat-treatment facility enables the Company to expand its production of premium products, providing oil and gas companies with pipes and threaded connections designed to operate in the most challenging climate and geological conditions. Pipe properties were improved by alloying and microalloying with nanostructure alloys which improved strength, ductility and corrosion resistance by 15% to 20%.

In addition to pipe heat treatment equipment, the new complex includes a water treatment facility with water recycling. A green technology deployed at the facility enables the reuse of 20 million m3 of treated water annually, significantly reducing the plant’s environment footprint, since the share of recycled water is 98.5%

- MAPEKO vertical casting ladle preheater for drying was put into operation as part of a comprehensive environmental program, which has significantly reduced the plant’s environmental footprint

20 mln m³
a green technology deployed at the facility enables the reuse of treated water annually

98.5%
the share of recycled water

TAGMET

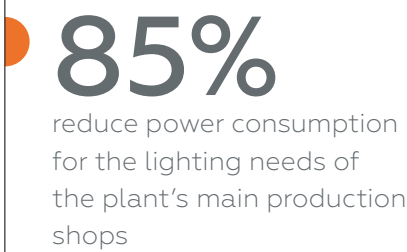
- Pipe threading machines were commissioned in the pipe rolling shop, and the main pre-commissioning activities were completed for an electric arc furnace complex
- A project to upgrade the lighting systems of the EAF, pipe rolling and pipe-welding shops’ production areas was launched to reduce power consumption for the lighting needs of the plant’s main production shops by 85%. The project is scheduled for completion in 2021

Sinarsky Pipe Plant

- As part of the OCTG capacity expansion program, a press for hydraulic testing of OCTG was commissioned, and swedging equipment for pipes with TMK UP connections was put into operation
- The reconstruction project for Volochilnaya main step-down substation No. 3 was completed, enabling uninterrupted power supply to the plant’s main shops

TMK Oilfield Services’ entities

- As part of its casing pipe production line revamp project, TMK NGS-Buzuluk installed and commissioned a hydraulic testing system
- A CNC pipe threading machine was put into operation at the drill pipe repair facility of TMK NGS-Nizhnevartovsk
- Orsky Machine Building Plant put into operation a welding unit for tool joints



TMK’s R&D facility in Skolkovo

A number of contracts have been signed to purchase phase two core research equipment, with equipment deliveries ongoing. Currently the center is conducting comprehensive bench tests of premium OCTG connections to the standards of the International Organization for Standardization (ISO).

TMK-ARTROM

TMK-ARTROM carried out a comprehensive upgrade of the plant’s three shops: the rotary hearth furnace at the pipe rolling line was renovated, new pipe beveling machines were purchased, the cold-straightening machine was upgraded, the outlet section of the piercing mill was improved to increase the length of the rolled pipes, and the legacy pipe end trimming machines were replaced with new automatic positioning machines for high precision, high performance cutting of fixed lengths. In addition, a contract was signed in 2020 for the supply of new non-destructive ultrasonic testing equipment to detect defects across five areas: longitudinal, oblique and transverse defects, as well as pipe wall thickness and coating.

TMK-RESITA

TMK-RESITA overhauled components of the electric arc furnace, dust removal system and material handling equipment of the continuous casting machine. In 2020, a roof was installed over the hot slag pouring platform to reduce dust emissions as part of the plant’s environmental protection measures. In addition, an uninterruptible power supply system was purchased for the continuous casting machine, along with a cleaning machine for casting ladles, and a material feeding system was upgraded for the ladle furnace unit.

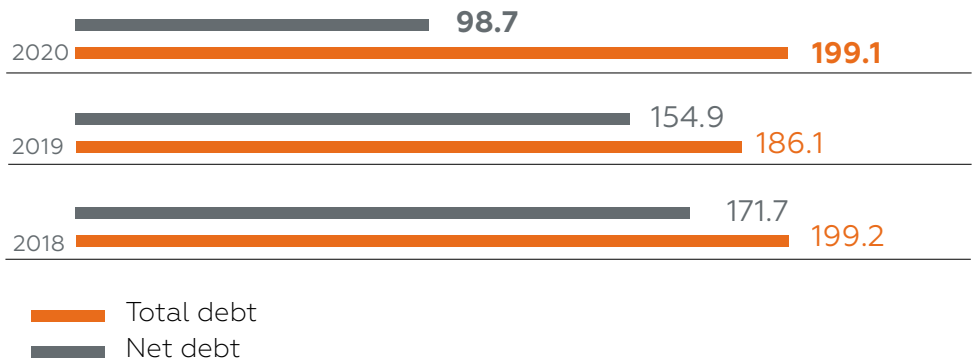
LIQUIDITY MANAGEMENT

One of TMK’s top priorities is to improve its balance sheet by maintaining sufficient liquidity and improving the structure of its debt portfolio.

Our total debt¹ increased from RUB 186.1 billion as at December 31, 2019 to RUB 199.1 billion as at December 31, 2020. This was due to the ruble depreciation against the U.S. dollar, which affected the translation of foreign currency debt into rubles. Net repayment of borrowings in 2020 amounted to RUB 1.4 billion.

The share of our short-term debt as at the end of 2020 was 37% compared to 45% as at December 31, 2019. Net debt² amounted to RUB 98.7 billion in cash and short-term financial investments of RUB 100.4 billion, which included euro-denominated bank promissory notes (for more details see page 165).

TOTAL DEBT¹ AND NET DEBT², RUB BLN



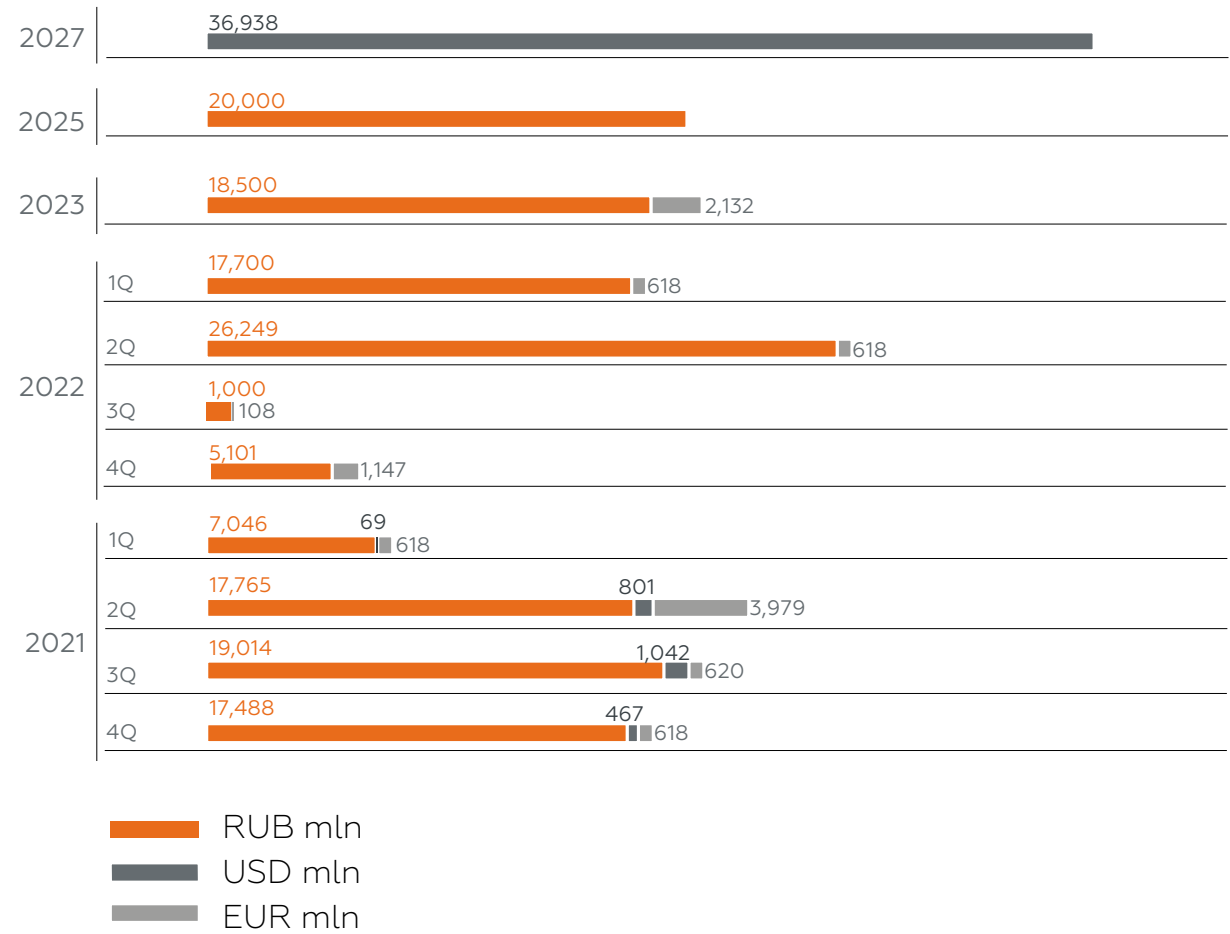
During the reporting year, TMK Group improved its liquidity profile, including by extending maturity dates, mitigating the foreign exchange risk, and decreasing debt financing costs. Most of the cash proceeds from the sale of IPSCO Tubulars Inc. were used to reduce the foreign currency denominated portion of the Company’s debt portfolio in the first half of 2020. As at the end of 2020, the ruble-denominated portion of our debt represented 75%, the U.S. dollar-denominated portion 20%, and the euro-denominated portion 5% of our total debt. As at December 31,2020, our weighted average nominal interest rate was 6.07%, i.e. an 88 bps decrease year-on-year.

¹ Total debt is calculated as loans and borrowings less interest payable.
² Net debt is calculated as total debt less cash and short-term financial investments.

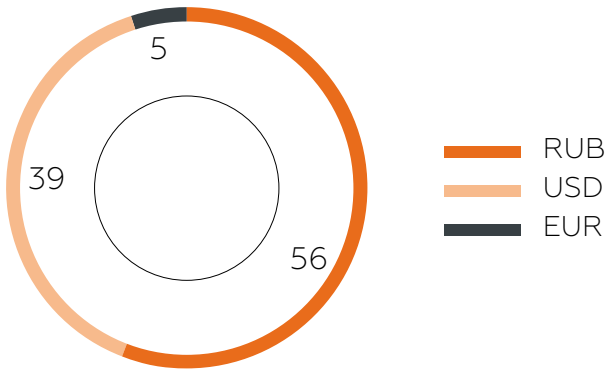
In February 2020, TMK completed a \$500 million seven-year Eurobond issue with a coupon of 4.3%. The proceeds were used to refinance TMK’s \$500 million Eurobond maturing in April 2020.

In April 2020 TMK issued 001P-01 series bonds in the amount of RUB 10 billion with a maturity period of two years on the Moscow Exchange. The coupon rate was set at 8.35%, and the coupons will be paid semi-annually.

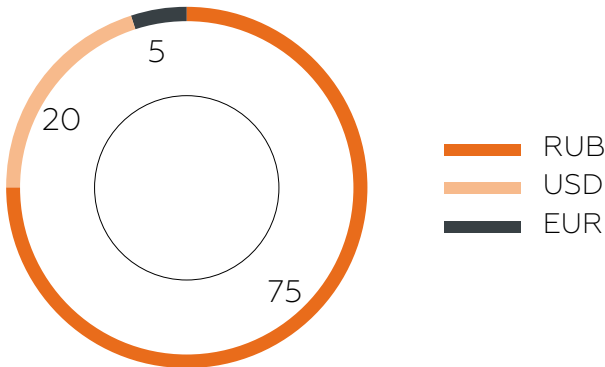
DEBT REPAYMENT SCHEDULE AS AT DECEMBER 31, 2020



DEBT BY CURRENCY AS AT DECEMBER 31, 2020, %



DEBT BY CURRENCY AS AT DECEMBER 31, 2019, %





High quality of **corporate governance**

CORPORATE GOVERNANCE REPORT

In a difficult year 2020, TMK proved to be adequately prepared to cope with such challenges and hardships, relying on its modern corporate governance system and embedding the latest digital technologies in its corporate governance practices and business processes.

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Dmitry
Pumpyanskiy**

Chairman of PAO TMK's
Board of Directors



Dear Shareholders!

The year 2020 has put the Company's top management and our entire corporate governance system to a serious test. With a host of key risks materialized, we had to make decisions amid a new uncertainty about the external environment, compounded by an inability to conduct business interactions in their normal format. As time has shown, TMK proved to be adequately prepared to cope with such challenges and hardships, relying on its modern corporate governance system and embedding the latest digital technologies in its corporate governance practices and business processes. Not only remote working, but also remote management of the Company, have been deployed to the highest standards. We complied with all deadlines and remained committed to fully disclosing the information material to our investors, while ensuring business continuity, and doing everything we could to keep jobs and protect the health of our people. We moved fast to analyze the current situation and assess strategic risks, industry trends and outlook, with the Board of Directors using the insights we gained to review the implementation of TMK Group's Development Strategy and updating it. We also adopted a new corporate standard – TMK Group's Risk Management Policy.

In the context of extreme volatility and uncertainty in the financial markets and considering a number of factors that, in the view of the Board of Directors, limited the Company's favorable prospects in equity capital markets, we revised the strategy as regards the listing of global depositary receipts and took a decision to repurchase ordinary shares of PAO TMK. Following the completion of the share buyback program, TMK GDRs were delisted from the London Stock Exchange. PAO TMK securities continue to be traded on the quotation lists of the Moscow Exchange.

The crisis management experience gained by the Company's directors and management has strengthened their commitment to, and focus on, strategic planning, productive interactions between governing bodies and employees, risk management, reliability of controls, implementation of new technologies and improvement of information security system, and doing socially responsible business. Going forward, this will allow us to adapt quickly to changing conditions, and respond to new challenges by thinking outside the box to come up with breakthrough solutions.

Clear and timely actions by the financial market regulator have also played a significant role in overcoming the difficulties in conducting corporate procedures and meeting the legal requirements related to the restrictions in place.

All recommendations of the Corporate Governance Code that are material to our shareholders were fully incorporated into our corporate governance practices in 2018 (93.7%), and we will continue to focus on this area.

As regards the future development of the Corporate Governance System, the Board of Directors highlights the increased strategic importance of sustainability and will work to further integrate this into TMK Group's corporate governance.

The crisis management experience gained by the Company's directors and management has strengthened their commitment to, and focus on, strategic planning.

CORPORATE GOVERNANCE FRAMEWORK

PURPOSE

To build and implement a governance system that facilitates asset protection and the long-term growth of the Company safeguarding the interests of all shareholders and ensuring their control over PAO TMK’s operations, incorporating careful consideration and balancing the interests of all stakeholders.

GOVERNING REGULATIONS

Applicable laws, listing requirements, the Corporate Governance Code recommended by the Bank of Russia, internal documents, including TMK Group’s Corporate Governance Code, and Code of Ethics.

The Articles of Association stipulate that the General Meeting of Shareholders is PAO TMK’s supreme governing body, which elects the Board of Directors and approves the auditor.



Corporate Governance Code



Code of Ethics TMK Group



Regulations on the General Meeting of Shareholders

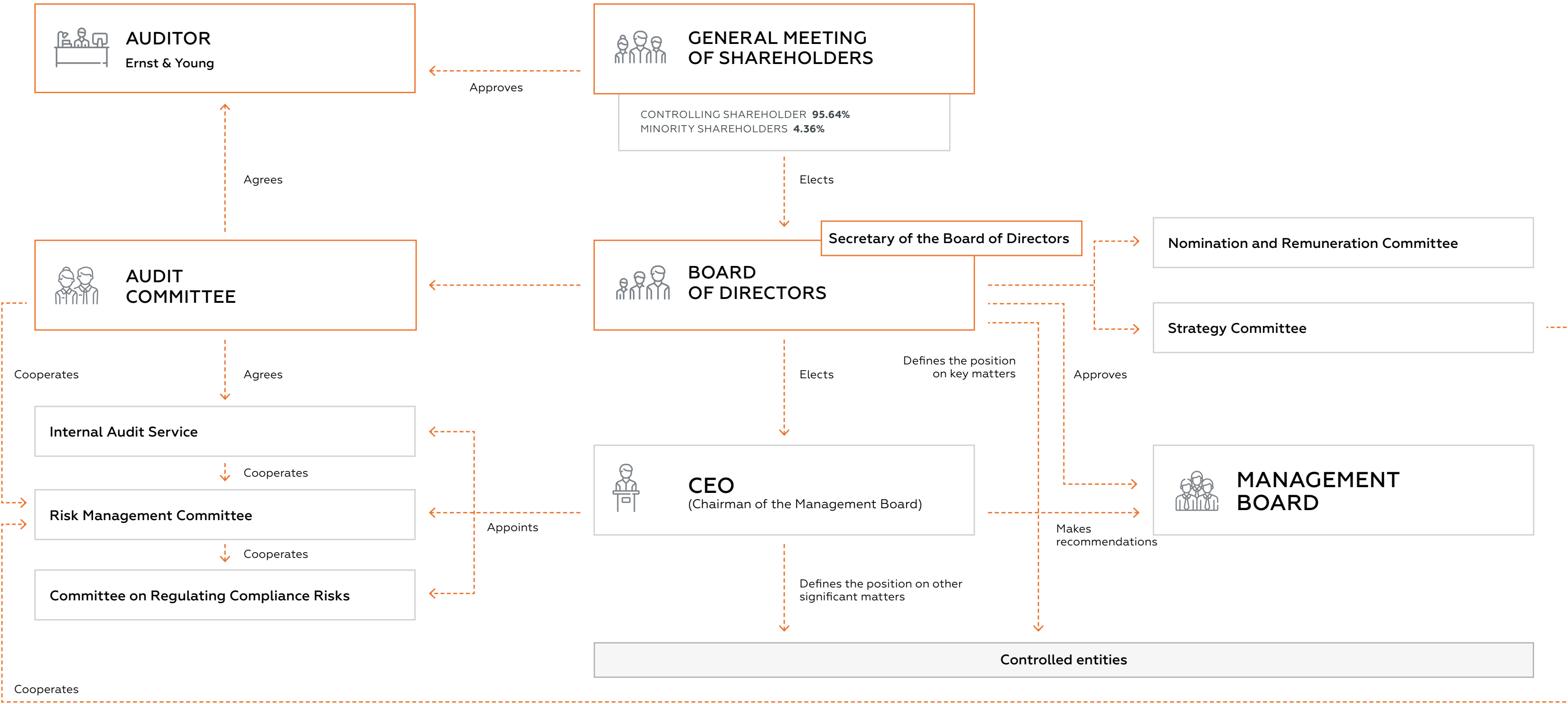
The Board of Directors:

- elects the CEO and approves candidates for the Management Board, as advised by the CEO;
- proposes candidates for executive bodies, as well as nominees to the boards of directors of controlled entities;
- establishes committees whose resolutions are of an advisory nature.



Regulations on the Board of Directors

PAO TMK'S CORPORATE GOVERNANCE FRAMEWORK



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE RECOMMENDED BY THE BANK OF RUSSIA

In 2018, the Company largely completed the incorporation of recommendations contained in the Corporate Governance Code into PAO TMK’s corporate governance practices. The events of 2020 were a kind of verification of the results of this effort, demonstrating that it was clearly a valuable and timely exercise.

Explanations regarding the partial implementation of five recommendations of the Code (election of an independent director as Chairman of the Board of Directors, formation of the Audit Committee and the Nomination and Remuneration Committee solely of independent directors, disclosure of the controlling person memorandum and engagement of an independent appraiser) are given in the Annex to this Annual Report: paragraphs 2.5.1., 2.8.1., 2.8.2., 6.1.2. and 7.2.2.

The Board of Directors will continue to follow the Code’s recommendations in its practical activities and will further refine related compliance controls for the benefit of all stakeholders.

Detailed Corporate Governance Code Compliance Report is attached to this Annual Report.

PROGRESS TOWARDS GOALS IN 2020 AND PRIORITIES FOR 2021

The COVID-19 pandemic has impacted the achievement of the 2020 corporate governance targets.

In particular, we have postponed to 2021 the completion of the project to introduce electronic voting at the General Meetings of Shareholders held in person through electronic ballots, including via a mobile application.

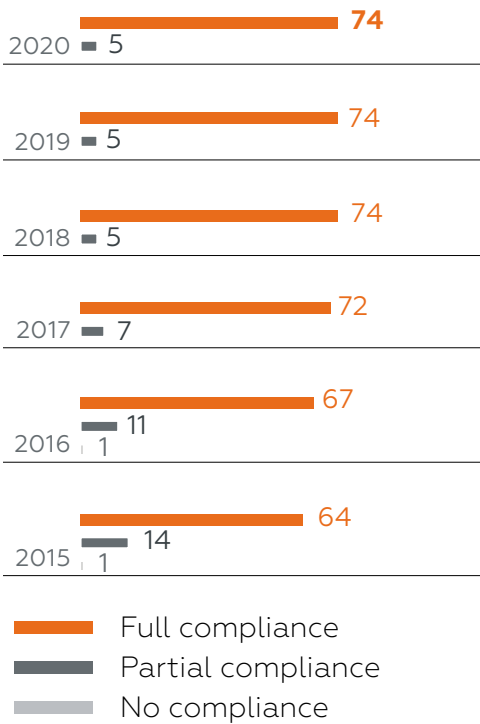
At the same time, shareholders now have the opportunity to use electronic ballots when participating in General Meetings of Shareholders.

The Company will remain committed to improving its corporate governance practices by adopting advanced standards, above all in sustainability.

Shareholders now have the opportunity to use electronic ballots when participating in General Meetings of Shareholders.

The events of 2020 were a kind of verification of the results of this effort, demonstrating that it was clearly a valuable and timely exercise.

RUSSIAN CORPORATE GOVERNANCE CODE INCORPORATION PROGRESS AT PAO TMK



BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS

The Board of Directors is responsible for the general management of the Company’s operations in accordance with TMK’s Articles of Association, Regulations on the Board of Directors and Russian laws.

The Board of Directors is a key element of the corporate governance system.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of PAO TMK includes 11 Directors, 5 of whom are independent as at December 31, 2020. There were no changes in the composition of the Board of Directors in 2020.

Independent directors

Frank-Detlef Wende **(1.5)**
Sergey Kravchenko **(4.5)**
Yaroslav Kuzminov **(2.5)**
Natalia Chervonenko **(1.5)**
Anatoly Chubais **(4.5)**

Non-executive directors

Dmitry Pumpyanskiy **(16.5)**
Alexander Pumpyanskiy **(3.5)**
Mikhail Khodorovsky **(1.5)**
Alexander Shokhin **(12.5)**

Executive directors

Andrey Kaplunov **(15.5)**
Alexander Shiryaev **(17.5)**

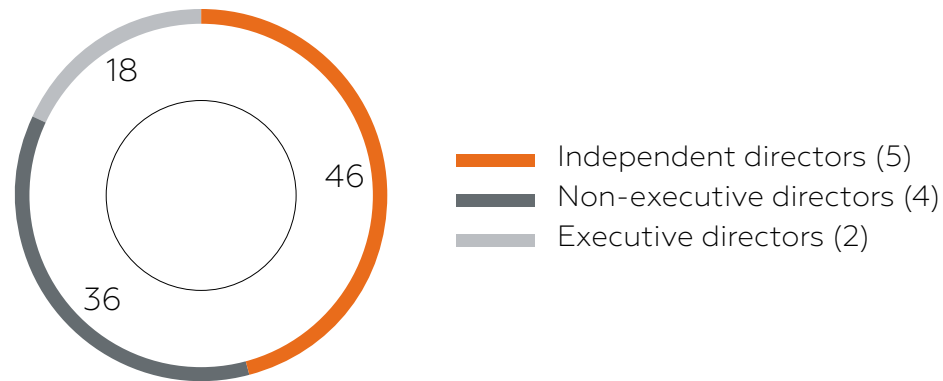
Note: Bracketed figures denote the tenure on the Board of Directors in years.

Over the past eight consecutive years, PAO TMK’s Board members have been consistently recognized among the best professionals in corporate governance by the Director of the Year National Awards.

INDEPENDENT DIRECTORS

Independent Directors account for almost a half of the Board members (45.5%). The independence of a Board member is assessed by the Nomination and Remuneration Committee when the list of nominees to the Board of Directors is being drawn up, and is verified for the Moscow Exchange on a quarterly basis.

BOARD COMPOSITION AND INDEPENDENCE, %



The internal assessment results of 2020 suggest that independent directors greatly contribute to the Board’s discussions and decision-making. Independent directors focus on external aspects of the Company’s activities and strategic objectives. The directors have proved highly efficient in the following matters:

- Independent directors assess the Company’s potential actions to identify any conflicts of interest;

45.5%

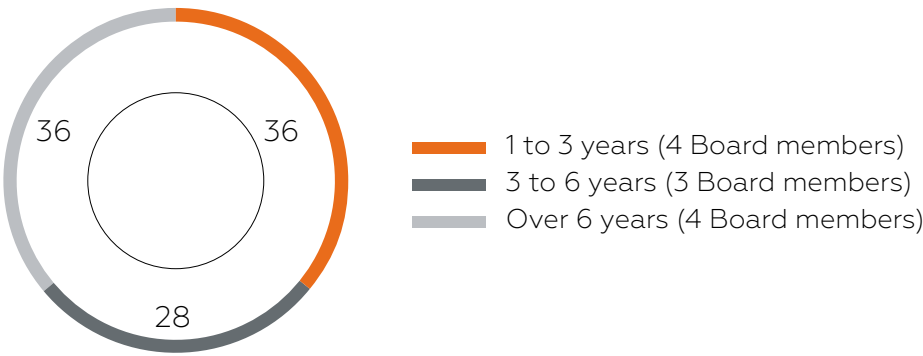
Independent Directors - the Board members

- All independent directors make decisions objectively and free of influence by any third party;
- Independent directors regularly and thoroughly analyze reports by the Company's management to track progress on set goals;
- Independent directors contribute significantly to discussion and decision-making related to the Company's development strategy and assessment of the Company's activities for compliance with the strategy.

PROFESSIONAL COMPETENCE, COMMUNICATION SKILLS
AND ACKNOWLEDGEMENT

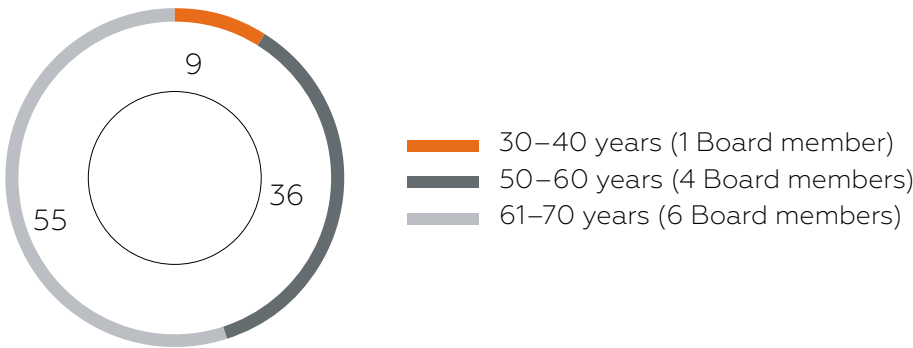
Members of the Board of Directors of PAO TMK are individuals capable of making independent judgements; they are distinguished for their impeccable business and personal reputation and possess all the required skills: nine out of the eleven Board members have higher academic degrees, including four doctors of sciences. Eight Board members have economics degrees and one of them also holds an engineering degree. One Board member has a degree in management and two Board members hold engineering degrees. Six Board members have received state awards – orders of the Russian Federation.

TENURE ON THE BOARD OF DIRECTORS, %



6 board members
have received state awards –
orders of the Russian Federation

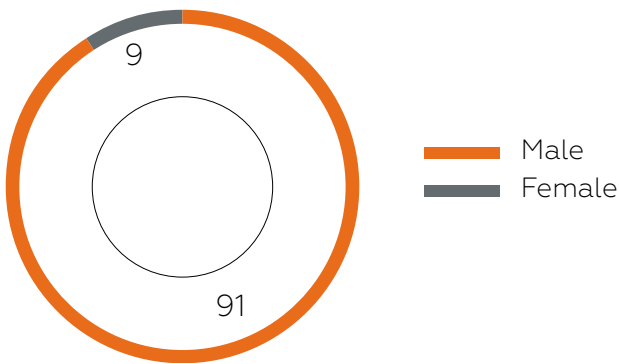
AGE BALANCE OF THE BOARD



FEMALE REPRESENTATION ON THE BOARD OF DIRECTORS

In 2019, Natalia Chervonenko was elected to the Board as an independent director and the Audit Committee Chair. Natalia possesses all the required skills as well as an impeccable professional reputation, with extensive experience as a senior executive and board member at major Russian banks and companies.

GENDER BALANCE OF THE BOARD





Over the past eight consecutive years, members of TMK’s Board of Directors have been consistently recognized as among the best professionals in corporate governance by the Director of the Year National Awards (held annually by the Professional Directors Association and the Russian Union of Industrialists and Entrepreneurs in partnership with PricewaterhouseCoopers (PwC)). Members of PAO TMK’s Board of Directors Yaroslav Kuzminov, Alexander Shokhin and Anatoly Chubais were ranked among the Top 50 Independent Directors in 2020. Dmitry Pumpyanskiy, Chairman of TMK’s Board of Directors, was included in the Top 25 ranking of board chairmen.



Top 25 ranking of board chairmen



Director of the Year National Awards

BOARD MEMBERS’ LIABILITY INSURANCE

Starting from 2006, TMK has insured the liability of its Board members and officers. Liability insurance covers the insured persons against any possible damage caused by unintentional errors (or omissions) in the course of managing the Company. Insured events also include claims filed against the Company in respect of its securities. The terms and conditions of insurance contracts, including risk coverage, comply with the international best practice in insurance against similar risks.

The number of members of the Board of Directors is specified in PAO TMK’s Articles of Association and equals 11 Board members, i.e. the optimal number for public companies.

The terms and conditions of insurance contracts, including risk coverage, comply with the international best practice in insurance against similar risks.

11 board members
quantitative composition of the Board of Directors

As at December 31, 2020, following the Annual General Meeting of Shareholders held on May 29, 2020, PAO TMK’s Board of Directors was composed as follows.

Continued →

Principal employment:
President of JSC Sinara Group.

He is the beneficial owner of TMK and has been a member of the Board of Directors of PAO TMK since 2004. He has been Chairman of the Board of Directors since 2005. At present, he is extensively involved in public activities aimed at promoting the Russian economy. Fields of interest: metals industry economics and physics of metals. Author of 4 monographs and over 70 scientific papers.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Chairman of the Board of Directors
2020 – present	Organizational Committee for the Year of Science and Technology in the Russian Federation	Committee member
2020 – present	TMK Steel Holding Limited	Member of the Board of Directors
2020 – present	ROZA Club for Sport Development and Support	Member of the Board of Trustees
2020 – present	Football Club Ural	Chairman of the Board of Directors
2019 – present	Ural Interregional Research and Education – Center Advanced Industrial Technologies and Materials	Member of the Supervisory Board
2019 – present	Council of World-Class Research and Education Centers	Council member
2019 – present	JSC Sinara Group	Member of the Board of Directors
2019 – present	Football Union of Russia	Member of the Board of Trustees
2018 – present	Bolshoi Theatre	Member of the Board of Trustees
2018 – present	Russian-American Council for Business Cooperation	Deputy Chairman of the Board of Trustees, member of the Board of Trustees
2018 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Vice President, Chairman of the Committee on Technical Regulation, Standardization and Compliance Assessment
2017–2020	St. Catherine’s Charitable Foundation	Council member
2016 – present	Chamber of Commerce and Industry of the Russian Federation	Council member
2016–2016	Russian Steel Association	President
2016–2020	Demidov Scientific Foundation (Yekaterinburg)	Member of the Board of Trustees
2016 – present	JSC Sinara – Transport Machines	Member of the Board of Directors



Dmitry
Pumpyanskiy

Chairman of the Board of Directors,
Non-Executive Director

Year of birth: 1964.

Education: graduated from Kirov Ural Polytechnic Institute in 1986. He holds a PhD in Technical Sciences and is a Doctor of Economics

Direct holding in PAO TMK: 0.0063%.

← Beginning

The Demidov Prize was established in 1831 by Pavel Demidov, a Ural industrialist, and was awarded annually until 1866. The Prize was considered the most honorable non-governmental award in Russia. In 1993, initiated by the Ural Branch of the Russian Academy of Sciences in Yekaterinburg and local businessmen, the tradition was revived. The nationwide non-governmental Demidov Prize is awarded annually to four scientists for personal outstanding contributions in several fields: Earth sciences, physics and mathematics, economics and entrepreneurship, humanities. Laureates are chosen through surveying experts in each field.



Public Recognition:

was awarded a second class Medal of the Order for Merit to the Fatherland, a fourth class Order for Merit to the Fatherland, and the Order of Honor, is a Russian Government prize winner in Science and Technology and an Honored Metallurgist. He was declared the winner of the Director of the Year National Award in the Chairman of the Board category: Contribution to the Development of Corporate Governance category in 2011, and was among the Top 25 Board Chairmen 2012 and from 2015 to 2020. He won the Demidov Prize 2020 in the New Technologies category. In October 2020, he was awarded the Badge of Honor of the Russian Union of Industrialists and Entrepreneurs (RSPP) for engaging industry in the technical regulation system of the Russian Federation and the Eurasian Economic Union.

Period	Organization	Position
2016–2021	Foundation for Development of the Center for Elaboration and Commercialization of New Technologies	Member of the Board of Directors
2016 – present	ISTOKI Endowment Fund	Member of the Board of Trustees
2016–2016	Chamber of Commerce and Industry of the Russian Federation	Member of the Management Board
2016–2020	Federation of Ski-Jumping and Nordic Combined of Russia	Chairman of the Board of Trustees
2016 – present	Russian Olympians Foundation	Board member, member of the Council of Trustees, member of the Presidium
2016 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Chairman of the Supervisory Board
2016 – present	Sverdlovsk Regional Union of Industrialists and Entrepreneurs, regional association of employers	President
2016 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Member of the Bureau, member of the Management Board
2016 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Member of the Bureau, member of the Management Board
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors
2016 – present	World Steel Association	Council member
2016–2019	JSC Sinara Group	Chairman of the Board of Directors
2016 – present	JSC Sinara Group	President
2016 – present	National Council on Corporate Governance non-profit partnership	Member of the Partnership
2016 – present	Russian Steel Association	Member of the Supervisory Board



Frank-Detlef
Wende

Independent Director, member of the Audit Committee, member of the Board of Directors since 2019

Year of birth: 1952.

Education: graduated from Moscow Automobile and Road Construction State Technical University in 1975 and holds a PhD in Technical Sciences, Professor.

Holds no shares in PAO TMK.

Principal employment:

Head of the Chair of Logistics at Moscow Automobile and Road Construction State Technical University.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, member of the Audit Committee
2019 – present	Financial University under the Government of the Russian Federation	Dean of the Faculty of Logistics, member of the Academic Council
2016 – present	Moscow Automobile and Road Construction State Technical University	Head of the Chair «Logistics», member of the Academic Council, member of the Scientific and Technical Council

Principal employment:

Vice President of PAO TMK. Mr. Kaplunov joined PAO TMK in 2001 and has been a member of the Board of Directors since 2005.



Public Recognition:

has been commended in a Letter of Acknowledgement from the Ministry of Industry and Trade of the Russian Federation.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Member of the Board of Directors
2019 – present	PAO TMK	Vice President
2019 – present	JSC Sinara Group, the Moscow Office	Vice President
2016–2019	PAO TMK	Member of the Management Board, First Deputy CEO
2016–2020	JSC Orsky Machine Building Plant	Chairman of the Board of Directors
2016 – present	Sinara Yekaterinburg futsal club, Sverdlovsk regional sports non-governmental fund	Member of the Board of Trustees
2016 – present	JSC Interregional private BIG Pension Fund	Member of the Board of Directors
2016–2020	JSC Trade House TMK	Chairman of the Board of Directors
2016–2020	PJSC Seversky Pipe Plant	Chairman of the Board of Directors
2016–2020	JSC Volzhsky Pipe Plant	Chairman of the Board of Directors
2016–2020	PJSC Taganrog Metallurgical Works	Chairman of the Board of Directors
2016–2020	PJSC Sinarsky Pipe Plant	Chairman of the Board of Directors
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors, Chairman of the Nomination and Remuneration Committee
2016 – present	JSC Sinara Group	Member of the Board of Directors



Andrey
Kaplunov

Executive Director

Year of birth: 1960.

Education: graduated from Moscow Finance Institute in 1982 and later completed a postgraduate degree program there. He holds a PhD in Economics.

Holds no shares in PAO TMK. On November 18, 2020, Andrey Kaplunov entered into a transaction to dispose of 70 thousand PAO TMK shares (ordinary registered uncertificated shares, registration number 1-01-29031-N).



Sergey
Kravchenko

Independent Director, Chairman of the Nomination and Remuneration Committee, member of the Strategy Committee, member of the Board of Directors since 2016

Year of birth: 1960.

Education: graduated from Moscow Automechanical Institute in 1982. He is a Doctor of Technical Sciences, Professor.

Holds no shares in PAO TMK.

Principal employment:
President of Boeing Russia/CIS.



Public Recognition:
has been awarded the Order of Friendship.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2018 – present	PAO TMK	Chairman of the Nomination and Remuneration Committee
2016 – present	PAO TMK	Member of the Board of Directors, member of the Strategy Committee
2020 – present	Novolipetsk Steel (NLMK)	Member of the Board of Directors
2016 – present	The Boeing Company	President of Boeing Russia/CIS, Vice President of Boeing International

Continued →

Principal employment:

Rector of the National Research University Higher School of Economics.



Public Recognition:

has been awarded third and fourth class Orders for Merit to the Fatherland, and the Order of Honor. In 2020, he was ranked among Top 50 Independent Directors of the National Award given by the Professional Directors Association.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2018 – present	PAO TMK	Member of the Board of Directors, member of the Nomination and Remuneration Committee
2020 – present	Agency for Strategic Initiatives to Promote New Projects	Member of the Rating Committee of the National Rating of the State of the Investment Climate in the Russian Federation
2020 – present	PJSC Aeroflot	Member of the Board of Directors
2019 – present	Rational Subsoil Use Perm Scientific and Educational Center	Member of the Supervisory Board
2019 – present	Russian Professors Assembly	Member of the Supervisory Board
2019 – present	The Znanie All-Russia Society	Member of the Council for Professional Qualifications in Education
2019 – present	Agency for Strategic Initiatives to Promote New Projects	Member of the Expert Council
2018 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Member of the Expert Council for Strategic Documents
2018 – present	I’m Professional, association of student competition organizers	Deputy Head of Association
2018 – present	All-Russia People’s Front	Member of the Central Office
2017 – present	National Agency for Qualification Development	Member of the Supervisory Board
2017–2019	JSC Prosveshcheniye Publishers	Member of the Board of Directors
2017 – present	Association of Global Universities	Chairman of the Board



Yaroslav
Kuzminov

Independent Director, member of the Nomination and Remuneration Committee, member of the Board of Directors since 2018

Year of birth: 1957.

Education: graduated from Lomonosov Moscow State University in 1979. He holds a PhD in Economics and is an Associate Professor.

Holds no shares in PAO TMK.

← Beginning

Yaroslav
Kuzminov

Continued →

Period	Organization	Position
2016 – present	City for People, endowment fund for social projects	Chairman of the Board of Trustees
2016 – present	All-Russia People’s Front	Co-Chairman of the Moscow Regional Office
2016 – present	Association of federal universities, national research universities, Lomonosov Moscow State University and Saint Petersburg State University (Association of Leading Universities)	Member of the Association
2016 – present	Diocese of Moscow of the Russian Orthodox Church	Member of the Diocese’s Council for Theological Education
2016 – present	Pokrovsky Kvartal School	Chairman of the Managing Board
2016 – present	Center for Expert Assessment of the Issues of the World Trade Organization	Member of the Supervisory Board
2016 – present	Association of the Leading Universities in Economics and Management	Chairman of the Board
2016 – present	Boris Yeltsin Presidential Library	Member of the Academic Council
2016 – present	National Research University Higher School of Economics	Rector
2016 – present	Center for Strategic Research	Council member
2016 – present	Russian Union of Rectors	Member of the Management Board
2016–2019	The Union of Machine Engineers of Russia, all-Russia industry association of employers	Member of the Management Board
2016 – present	Russian International Affairs Council	Member of the Partnership

← Beginning

Yaroslav
Kuzminov

Period	Organization	Position
2016 – present	National Accreditation Council of Business and Management Education	Member of the Rector Supervisory Board under the Presidium
2016 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Member of the Supervisory Board
2016 – present	Margarita Rudomino All-Russia State Library for Foreign Literature	Member of the International Board of Trustees
2016 – present	Association of Higher Educational Institutions of Moscow	Member of the Presidium of the Council of Rectors of Moscow and the Moscow Region
2016 – present	Council on Foreign and Defense Policy, regional public association	Member of the association
2016 – present	New Economic Association	Member of the Management Board, member of the Expert Council

Continued →

Principal employment:
President of SKB-BANK.



**Alexander
Pumpyanskiy**

Non-Executive Director, member of the Audit Committee and the Strategy Committee, member of the Board of Directors since 2017

Year of birth: 1987.

Education: graduated from the University of Geneva with a degree in Business Management in 2008 and obtained a Master’s degree in Economics at the University of Geneva in 2015.

Holds no shares in PAO TMK.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2018 – present	PAO TMK	Member of the Board of Directors, member of the Audit Committee, member of the Strategy Committee
2017 – 2018	PAO TMK	Member of the Board of Directors, member of the Audit Committee, member of the Nomination and Remuneration Committee
2020 – present	Ural Locomotives Limited Liability Company	Member of the Board of Directors
2019 – present	Joint Stock Commercial Bank of Support to Commerce and Business	President
2019 – present	JSC Sinara Group	Chairman of the Board of Directors
2018 – present	Ogrea, spol. s r.o.	Managing Director
2018 – present	FURDBERG HOLDING LIMITED	Member of the Board of Directors
2018 – 2019	OFSI Holding LLC	Member of the Board of Directors
2018 – present	Domus Flavia Investments AG	Administrator
2018 – 2020	IPSCO Tubulars Inc.	Member of the Board of Directors
2018 – present	Sinara Private Administration	Managing Director
2017 – present	Association of Banks of Russia	Council member
2017 – 2019	OFS International LLC	Member of the Board of Directors
2017 – 2019	Oak Town Real Estate SA	Chairman of the Board of Directors, Administrator

← Beginning

Alexander
Pumpyanskiy

Period	Organization	Position
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Chairman of the Board of Directors
2016 – present	TMK Steel Holding Limited	Member of the Board of Directors
2016 – present	Lera Capital SA	Managing Director, Investment Portfolio Manager
2016 – 2016	Joint Stock Commercial Bank of Support to Commerce and Business	Deputy Chairman of the Board of Directors
2016 – present	JSC Sinara Group	Member of the Board of Directors
2016 – present	Segilo AG	Member of the Board of Directors
2016 – 2016	Sinara Capital Management	Investment Analyst



Natalia
Chervonenko

Independent Director,
Chairwoman of the Audit
Committee, member of the Board
of Directors since 2019.

Year of birth: 1966.

Education: graduated from the
Far Eastern Institute of Consumer
Services in 1988. She holds a PhD
in Economics.

Holds no shares in PAO TMK.

Principal employment:

member of the Board of Directors,
Chairwoman of the Audit Committee
of PAO TMK.



Public Recognition:

has been awarded a second
class Medal of the Order for
Merit to the Fatherland.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, Chairwoman of the Audit Committee
2016 – 2016	JSC Gazprombank	First Vice President
2016 – 2016	JSC Gazprombank	Deputy Chairwoman of the Management Board
2016 – 2016	CJSC Areximbank – Gazprombank Group	Member of the Board of Directors
2016 – 2016	CJSC REP Holding	Member of the Board of Directors
2016 – 2016	JSC Credit Ural Bank	Deputy Chairwoman of the Board of Directors
2016 – 2016	JSC Gazprombank Leasing	Member of the Board of Directors

Continued →



Anatoly
Chubais

Independent Director, member of the Strategy Committee, member of the Board of Directors since 2015

Year of birth: 1955.

Education: graduated from the Palmiro Togliatti Leningrad Institute of Engineering and Economics in 1977 and the School of Advanced Training of Moscow Power Engineering Institute in 2002. He holds a PhD in Economics.

Holds no shares in PAO TMK.

Principal employment: Special Representative of the President of the Russian Federation for Relations with International Organizations to Achieve Sustainable Development Goals.



Public Recognition: has been awarded third and fourth class Orders for Merit to the Fatherland, a Medal for Merit to the Chechen Republic, and a first class Medal for Special Contribution to the Development of Kuznetsk Basin. He has been also commended in three Letters of Acknowledgement from the President of Russia (in 1995, 1997, and 1998). In 2020, he was ranked among Top 50 Independent Directors of the National Award given by the Professional Directors Association.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Member of the Board of Directors, member of the Strategy Committee
2020 – present	PJSFC Sistema	Member of the Board of Directors
2016 – 2020	LLC RUSNANO Management Company	Chairman of the Management Board, member of the Management Board
2020 – present	Government Commission on Economic Modernization and Innovative Development of the Russian Federation	Committee member
2019 – present	Moscow Innovation Cluster Fund	Member of the Supervisory Board
2018 – present	Association of Innovative Regions of Russia	Member of the Supervisory Board
2018 – present	Russia Renewable Energy Development Association	Co-Chairman
2018 – present	Russian-American Council for Business Cooperation	Member of the Board of Trustees
2016 – present	Innovation and R&D Directors Club	Member of the Supervisory Board
2016 – present	National Association of Manufacturers of Building Materials, Products and Structures	Co-Chairman of the Supervisory Board
2016 – present	LLC RUSNANO Management Company	Member of the Board of Directors
2016 – present	Hospice Charity Fund Vera	Member of the Board of Trustees
2016 – present	Tri Alpha Energy, Inc.	Member of the Board of Directors
2016 – present	Far Eastern Federal University	Member of the Supervisory Board

← Beginning

Continued →

Anatoly
Chubais

Period	Organization	Position
2016 – present	Saint Petersburg State University	Member of the International Board of Trustees at the Graduate School of Management
2016 – present	Southern Federal University	Member of the Board of Trustees
2016 – present	Advanced Research Foundation	Member of the Board of Trustees
2016 – present	Russian Nanoindustry Association	Member of the Board of Trustees
2016 – present	Stupeni Charitable Foundation	Founder
2016 – present	RUSNANO School League	Chairman of the Board of Trustees
2016 – 2020	LLC RusnanoMedInvest	Member of the Board of Directors, Chairman of the Board of Directors
2016 – 2018	Presidential Council for Economic Modernization and Innovative Development of the Russian Federation	Council member
2016 – 2020	LLC NovaMedica	Member of the Board of Directors, Chairman of the Board of Directors
2016 present	PJSC Moscow Exchange	Chairman of the Innovation and Investment Market Coordination Board
2016 – present	Polytechnic Museum	Deputy Chairman of the Board of Trustees
2016 – 2017	E-Learning for Nanoindustry (eNano)	Member of the Supervisory Board
2016 – present	National Council on Corporate Governance non-profit partnership	Member of the Partnership
2016 – present	JSC RUSNANO	Member of the Board of Directors
2016 – 2017	JSC Sarov Technopark	Member of the Board of Directors

← Beginning

Anatoly
Chubais

Period	Organization	Position
2016 – present	Moscow Institute of Physics and Technology (National Research University)	Head of the Department of Technological Entrepreneurship
2016 – present	Foundation for Development of the Center for Elaboration and Commercialization of New Technologies	Member of the Board of Directors
2016 – present	Yegor Gaidar Foundation	Chairman of the Board of Trustees
2016 – present	Fund for Infrastructure and Educational Programs	Member of the Supervisory Board, Chairman of the Management Board, member of the Management Board
2016 – present	Boris Yeltsin Presidential Center Foundation	Member of the Board of Trustees
2016 – present	Moscow Theatre School of Modern Drama	Chairman of the Board of Trustees
2016 – 2021	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Member of the Management Board, member of the Bureau, Chairman of the Committee on Innovation Policies and Innovative Entrepreneurship
2016 – 2021	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	Member of the Management Board, member of the Bureau, Chairman of the Committee on Innovation Policies and Innovative Entrepreneurship
2016 – present	EU-Russia Industrialists’ Round Table	Chairman of the Supervisory Board
2016 – present	EU-Russia Industrialists’ Round Table	Russian Co-Chairman



Alexander
Shiryaev

Executive Director,
member of the Strategy
Committee

Year of birth: 1952.

Education: graduated from the
Sverdlovsk Institute of National
Economy in 1991.

Holding in PAO TMK: 0.015%.

Principal employment:

Vice President of PAO TMK. He
joined PAO TMK in 2003 and has
been a member of the Board of
Directors since 2005.



Public Recognition:

has been awarded second
and third class Badges of
Merit to the Sverdlovsk
Region, he is an Honored
Metallurgist and the winner
of the Russian Federation
Government Prize for Science
and Technology (2018).

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	Vice President
2017 – present	PAO TMK	Member of the Strategy Committee
2016 – present	PAO TMK	Member of the Board of Directors
2019 – present	JSC Sinara Group, the Moscow Office	Vice President
2016 – present	D.O.O. VIZAVI	CEO
2016 – 2020	JSC Orsky Machine Building Plant	Member of the Board of Directors
2016 – 2019	PAO TMK	CEO, Chairman of the Management Board
2016 – 2020	JSC Trade House TMK	Member of the Board of Directors
2016 – 2020	PJSC Seversky Pipe Plant	Member of the Board of Directors
2016 – 2020	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2016 – 2020	PJSC Taganrog Metallurgical Works	Member of the Board of Directors
2016 – 2020	PJSC Sinarsky Pipe Plant	Member of the Board of Directors
2016 – present	JSC Sinara Group	Member of the Board of Directors

Principal employment:

President of the Russian Union of Industrialists and Entrepreneurs.



Public Recognition:

was awarded third and fourth class Orders for Merit to the Fatherland, an Order of Alexander Nevsky, an Order of Honor, and a number of public and government awards, including a second class Order of Holy Prince Daniel of Moscow and a Medal in Commemoration of the 850th Anniversary of Moscow. In 2008, he won the National Award of the Professional Directors Association in the Independent Director category, and has been ranked among Top 50 Independent Directors since 2012.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Member of the Board of Directors, Chairman of the Strategy Committee
2016 – 2019	Agency for Technological Development	Member of the Supervisory Board
2016 – present	Chamber of Commerce and Industry of the Russian Federation	Council member
2016 – present	PAO Mechel	Deputy Chairman of the Board of Directors
2016 – present	JSC Russian Small and Medium Business Corporation	Member of the Board of Directors
2016 – 2016	JSC United Transport and Logistics Company	Member of the Board of Directors
2016 – 2018	OOO Merrill Lynch Securities	Advisor
2016 – present	Eurasia Drilling Company Limited	Member of the Board of Directors
2016 – present	Agency for Strategic Initiatives to Promote New Projects	Member of the Supervisory Board
2016 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	President, member of the Management Board, member of the Bureau
2016 – present	Russian Union of Industrialists and Entrepreneurs, all-Russian association of employers	President, member of the Management Board, member of the Bureau
2016 – present	National Research University Higher School of Economics	President, member of the Supervisory Board
2016 – present	Russian-American Council for Business Cooperation	Chairman of the Board of Trustees
2016 – present	National Council on Corporate Governance, non-profit partnership	Member of the partnership, member of the Presidium
2016 – present	German-Russian Chamber of Commerce	Member of the Presidential Council
2016 – present	Russian International Affairs Council	Member of the Board of Trustees



Alexander
Shokhin

Non-Executive Director, Chairman of the Strategy Committee, member of the Board of Directors since 2008.

Year of birth: 1951.

Education: graduated from Lomonosov Moscow State University in 1974 and is a Doctor of Economics and a Professor.

Holds no shares in PAO TMK.



Mikhail
Khodorovsky

Non-Executive Director,
member of the Nomination
and Remuneration Committee,
member of the Board of Directors
since 2019.

Year of birth: 1952.

Education: graduated from
Chelyabinsk Polytechnic Institute
in 1975. He is a Doctor of
Economics and a Professor.

Holds no shares in PAO TMK.

Principal employment: CEO of JSC
Sinara Group.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, member of the Nomination and Remuneration Committee
2018 – 2019	PAO TMK	Chairman of the Revision Committee
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors
2016 – 2018	LLC Sinara – Development	Member of the Board of Directors
2016 – 2016	JSC Kaluga Plant of Track Vehicles and Hydraulic Transmissions	Member of the Board of Directors
2016 – 2017	Association of Regional Banks of Russia	Council member
2016 – 2016	Joint Stock Commercial Bank of Support to Commerce and Business	Chairman of the Board of Directors
2016 – present	JSC Sinara Group	Member of the Board of Directors
2016 – present	JSC Sinara – Transport Machines	Member of the Board of Directors
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business (part-time)	Chairman of the Strategy Committee
2016 – present	JSC Sinara Group	CEO
2016 – 2018	JSC Sinara – Development	Member of the Board of Directors
2016 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Head of the Department of Bank and Investment Management
2016 – present	Sverdlovsk Region Governor’s Programs Fund	Council member
2016 – 2018	PJSC Kamenskoe	Chairman of the Board of Directors
2016 – 2020	Football Club Ural	Member of the Board of Directors
2016 – 2017	JSC Arkhyz – Sinara	Chairman of the Board of Directors
2016 – 2018	LLC Arkhyz-1650	Chairman of the Board of Directors



**Maxim
Kurbatov**

Secretary of the Board of
Directors (Corporate Secretary)

Year of birth: 1967.

Education:
graduated from Kirov Ural
Polytechnic Institute, the
Academy of National Economy
under the Government of the
Russian Federation, and Kutafin
Moscow State Law University.

He joined PAO TMK in 2002 and
headed the CEO’s Executive Office
and the Corporate Governance
Service. He has been the Secretary
of the Board of Directors since 2005.

As at December 31, 2020,
the members of the Board
of Directors held no interest in
controlled entities.

PERFORMANCE OF THE BOARD OF DIRECTORS IN 2020

The Board of Directors organizes its activities addressing the Company’s strategic objectives based on the annual plan of Board meetings. Agendas of the meetings are disclosed in advance to all stakeholders as corporate action notices.

At least once a year, the Board of Directors discusses the following matters at one or more meetings:

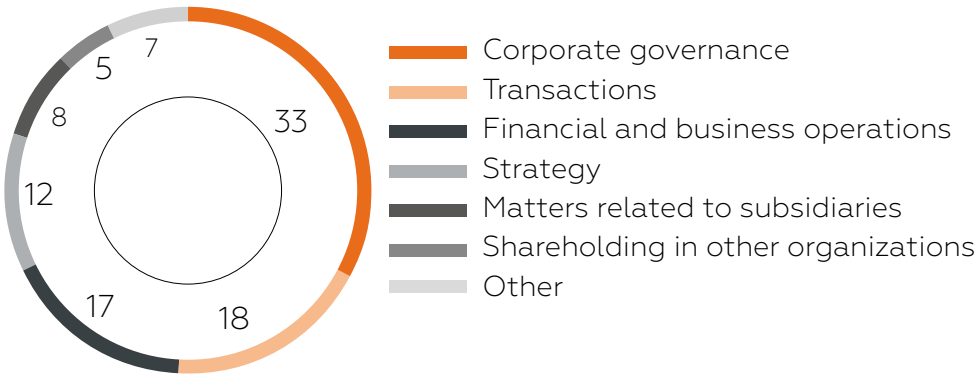
- Performance of the Board of Directors;
- Cooperation and coordination between the Board of Directors and the Company’s executive bodies;
- Performance evaluation of governing bodies and their members;
- Policy on remuneration and compensation for the CEO and key employees;
- Strategic direction of the Company’s economic activities, and associated risks;
- Corporate governance and internal control performance featured in reports by executive management;
- Recommendations on the auditor’s report and fee.

In 2020, the Board of Directors held 26 meetings, including 10 meetings in person, and reviewed 72 matters, mostly related to corporate governance (33%), financial and business operations and approval of transactions.

In an uncertain environment, the Board of Directors has, among other things, closely monitored the Company’s progress on its strategic goals, adjusting current plans and corporate governance subsystems as necessary, relying on analysis of the external market and environmental impacts.

26 meetings the Board of Directors were held in 2020

MATTERS DISCUSSED AT THE MEETINGS OF THE BOARD OF DIRECTORS IN 2020, %



In addition to the regular agenda, the Board of Directors and its committees focused on urgent, unplanned matters arising from the COVID-19 pandemic. The number of Board meetings held increased by 18% compared to 2019, and meetings of the Audit Committee and the Nomination and Remuneration Committees increased by a third. Due to quarantine restrictions, some meetings were held remotely via video and tele-conferencing. The Directors demonstrated their responsible approach to the challenging circumstances, which often required quick and non-standard decisions: attendance at all meetings of the Board of Directors and Audit Committee meetings was 100% throughout.

In addition, the Board of Directors closely monitored the Company’s progress on its strategic goals, adjusting plans and corporate governance subsystems as necessary, with reference to analysis of the external market and environmental impacts.

BOARD OF DIRECTORS’ REPORT ON PROGRESS IN TMK’S PRIORITY BUSINESS AREAS

Strategic objective	Matters discussed at the meetings of the Board of Directors in 2020
Enhancing leadership in key segments and entering new product niches	<ul style="list-style-type: none">• Strategic development areas• Updates to TMK Group’s Strategy and its implementation• TMK Group’s target structure for 2021
Optimizing vertical integration to reduce costs and develop product and service ranges	<ul style="list-style-type: none">• Purchase agreement for JSC Uralchermet shares• Acquisition of a stake in LLC Truby 2000• Acquisition of LLC Parus (renamed to LLC TMK – Yartsevsky Metzavod)
Enhancing the sales platform and leveraging TMK’s global scale	<ul style="list-style-type: none">• Approving the new Management Board: electing the Deputy CEO – Head of Sales, to the Management Board
Focus on innovation and digitalization	<ul style="list-style-type: none">• Implementation of projects to develop integrated planning system and MES systems• Establishment of TMK’s Single Service Center
R&D	<ul style="list-style-type: none">• Updates to TMK Group’s Strategy and its implementation
Achieving operational excellence (including ESG aspects)	<ul style="list-style-type: none">• Remuneration of the Company’s managers for 2019, key performance indicators and remuneration arrangements for 2020• Environmental performance at TMK Group’s facilities• Measures to build a strong anti-corruption system• Development of TMK2U Corporate University• Approving TMK Group’s Risk Management Policy• Ensuring that the Risk Committee will review compliance of corporate procedures for appointing certain officers with stock exchange requirements• Approving the concept and approach to the Internal Audit Service’s activity plan for 2020
Strengthening financial performance and investment appeal	<ul style="list-style-type: none">• Approving TMK Group’s consolidated budget for 2020 and 2021• Key budget indicators for 2021 for the purposes of drafting TMK Group’s budget for 2021• Reviewing and approving the main terms and conditions of the buyback programme to repurchase ordinary TMK shares• Approving the delisting of GDRs on the London Stock Exchange• Recommendations to JSC Volzhsky Pipe Plant in relation to the voluntary offer to acquire TMK equity securities• Buyback programme to repurchase ordinary TMK shares• Recommendations on 6M 2020 dividends• The need to further reduce the average interest rate on the back of deleveraging, a lower rate to refinance TMK Group’s total debt, and the Company’s increasing rating

DIRECTORS’ ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND RELEVANT BOARD COMMITTEES¹ IN 2020

	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Strategy Committee
	(26 meetings)	(12 meetings)	(8 meetings)	(5 meetings)
Frank-Detlef Wende	26	12		
Andrey Kaplunov	26			
Sergey Kravchenko	26		8	5
Yaroslav Kuzminov	26		7	
Alexander Pumpyanskiy	26	12		5
Dmitry Pumpyanskiy (Chairman)	26			
Mikhail Khodorovsky	26		7	
Natalia Chervonenko	26	12		
Anatoly Chubais	26			
Alexander Shiryaev	26			4
Alexander Shokhin	26			5

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three standing committees: Audit Committee, Nomination and Remuneration Committee, Strategy Committee. The current committees were formed by the Board of Directors on June 05, 2020, in compliance with the Code and exchange listing rules, and in line with the Company’s implementation of inclusive practices whereby committees include non-executive directors who have extensive and diverse professional experience as well as in-depth knowledge of TMK’s business profile.

Committee composition remained unchanged in 2020.

¹ Submission of a written opinion stating the position in voting on agenda items was counted as attendance at the meeting.

AUDIT COMMITTEE



Natalia
Chervonenko

Independent Director,
Chairwoman of the Audit
Committee



In 2020, the Audit Committee focused on further adopting risk-based control practices to offer enhanced assistance to PAO TMK’s Board of Directors. The past year has proven that this task was not just pressing but critical. And we managed to complete it. The internal evaluation results show that the Audit Committee has resolved organizational issues to drive deeper analysis of control procedures and implemented measures to improve risk management and internal controls.

In addition to the regular agenda, we reviewed matters such as the borrowing strategy, procedure for issuing loans, the new format of the Company’s performance reporting, and recommendations on the appointment of an external auditor for the longer term, among others.

The committee took part in developing TMK Group’s Risk Management Policy, a new corporate standard that will improve the quality of the committee’s decision-making in 2021.

PURPOSE

To assist the Board of Directors in improving the management of TMK’s financial and business activities as well as the internal control and risk management system

GOVERNING REGULATIONS



Regulations
on the Audit
Committee

COMMITTEE’S COMPOSITION AND COMPETENCIES

Natalia Chervonenko	Chairwoman, Independent Director
Frank-Detlef Wende	Independent Director
Alexander Pumpyanskiy	Non-Executive Director

The committee consists of three Directors, two of whom are independent, and is headed by Natalia Chervonenko, Independent Director. There were no changes in the composition of the committee during the year. Each Committee member has the knowledge and experience required to perform their duties. All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies.

All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies.

MEETINGS

In 2020, the committee held 12 meetings and had several meetings with the head of the Internal Audit Service and the leader of the external audit team, without the executives present.

IN THE REPORTING PERIOD, THE COMMITTEE REVIEWED AND PRESENTED TO THE BOARD OF DIRECTORS RECOMMENDATIONS ON THE FOLLOWING KEY MATTERS:

- Performance evaluation of TMK’s risk management and internal control systems and the internal audit function
- TMK Group’s Risk Management Policy
- New format of TMK’s performance reporting
- Compliance of corporate procedures for appointing certain officers at TMK with listing requirements
- Accounting policy analysis and review of PAO TMK’s accounting (financial) statements for completeness, accuracy and reliability
- Assessment of the internal control system and risk mitigation when preparing accounting and management reports
- Review of the Internal Audit Service’s plans and reports, the external audit plan and scope, information sharing with the auditor
- Appointment of TMK Group’s external auditor for 2021–2030
- 2020 borrowing strategy, taking into account asset sale
- Procedure for issuing loans, including approval of the process and tools to assess acceptable loan sizes

12 meetings
the committee held in 2020

OPINIONS OF THE COMMITTEE

- The committee heard reports from the heads of the Internal Audit Service, Risk Management Committee, and the CEO’s Committee on Regulating Compliance Risks. **The Audit Committee gave a positive assessment** of the current risk management and internal control system
- The committee reviewed a number of matters related to the preparation and audit of PAO TMK’s 2020 full-year and interim separate and consolidated 2020 accounting (financial) statements. Based on the results of its oversight of the external audit exercise, **the Audit Committee concluded that the audit had been carried out to professional standards**
- The committee reviewed PAO TMK’s IFRS consolidated financial statements for 2020
- The Audit Committee reviewed and recommended that the Board of Directors approve PAO TMK’s RAS accounting (financial) statements for 2020
- The committee reviewed and assessed the Company’s existing controls over accounting (financial) reporting

INTERNAL EVALUATION IN 2020

There is a positive change in the Audit Committee’s performance scoring compared to 2019, particularly driven by resolving organizational issues for a deeper insight into control procedures and implemented measures to improve the risk management and internal control system.

NOMINATION AND REMUNERATION COMMITTEE



Sergey Kravchenko

Independent Director,
Chairman of the
Nomination and
Remuneration Committee



During the year, the Company implemented significant organisational, human resources and technological changes, – all while facing unprecedented external challenges. This new environment has affected the committee’s agenda – several meetings reviewed matters related to HR support for the Group’s operations amid restrictions. The “new normal” served as a catalyst to accelerate the implementation of new digital solutions and corporate IT platforms in HR and talent development. This strengthened the social aspect of the Company’s approach to problem solving. The committee’s timely and constructive recommendations have helped the Company to step up to 2020’s challenges, protect the health of our people and maintain workforce stability, ensuring normal operations.

PURPOSE

Improved effectiveness of the Board of Directors’ decisions in order to attract the best talent to management positions across the Company and offer appropriate incentives to support their performance.

GOVERNING REGULATIONS



Regulations on the Nomination and
Remuneration Committee

MEETINGS

In the reporting period, the committee followed the approved Regulations and activity plan. Additional agenda items were introduced in line with the established procedure as necessary. In 2020, the committee held eight meetings, six of them remotely via video and telephone conferencing due to pandemic-induced restrictions starting from April 20, 2020. The committee meetings were regularly attended by TMK’s CEO, members of the Management Board and other top managers, which facilitated efficient communication as well as thoroughly considered and constructive recommendations. For more details on attendance at the committee’s meetings, see page 75 of this Annual Report.

COMMITTEE’S KEY PRIORITIES IN 2020

- Significant organizational and HR changes
- Changes in the Group’s structure and management system
- Management succession
- Employee engagement
- Best corporate governance practices
- HR support of new digital solutions
- Development of TMK2U Corporate University
- Motivation of key employees
- HR support of the Company’s efficient operation during the COVID-19 pandemic.

IN THE REPORTING YEAR, THE COMMITTEE REVIEWED THE FOLLOWING KEY MATTERS AND PRESENTED RELEVANT RECOMMENDATIONS TO THE BOARD OF DIRECTORS.

- Updating TMK’s HR Strategy
- Organizational and HR changes at TMK (a regular item on the committee’s agenda): monitoring the current situation at TMK Group companies in Russia and abroad, changes in the management system and new appointments, including in internal audit, commerce (combining the sales and procurement functions), corporate compliance risks, oilfield services (TMK NGS), information security, the Single Service Center project, and others
- Annual performance evaluation of the Board of Directors (self-evaluation through surveying)
- Motivation of key managers: remuneration for achieving KPIs, long-term incentive program, bonuses for project implementation, new KPIs

HR support of the Company’s efficient operation during the COVID-19 pandemic

- Providing competitive salaries in the regions of operation
- Prevention of conflicts of interest, protection of trade secrets
- Compliance of the Company’s corporate procedures for appointing to key positions with listing requirements
- Rolling out corporate standards and HR procedures to new companies joining TMK Group
- Relevant HR events and projects. A new model for holding the International Forum Horizons remotely in compliance with COVID-19 safety requirements
- Studying the competitive labor market and HR changes in the Company, calculating the Employee Loyalty and Engagement Indices.

ANTI-COVID

In the reporting year, the Committee repeatedly reviewed matters related to HR support at TMK Group’s operation amid challenges and restrictions posed by the COVID-19 pandemic. On the whole, the Company successfully responded to challenges posed by the pandemic, ensuring employee health and normal operation. The Committee also focused on TMK2U Corporate University, process digitization and automation, and the development of corporate information platforms. Using new methods and advanced approaches, during the pandemic the Company was able to ensure the continuity of personnel training and development, reduce anxiety and maintain workforce stability. **Summing up its review, the committee emphasized the importance of deep corporate professional education and development.**

Update of TMK’s HR Strategy

The Committee also focused on TMK2U Corporate University, process digitization and automation, and the development of corporate information platforms.

BUDGETING

As in previous years, **the committee** placed a particular emphasis on **budget planning**, repeatedly reviewing labor-related indicators at its meetings.

SUCCESSION PLANNING

As part of improving the corporate governance system, the committee reviewed **matters of ensuring succession of the Company’s Board of Directors**, noting that TMK follows best Russian and international practices, **including the Corporate Governance Code and the Recommendations of the Bank of Russia on Succession of Boards of Directors of Public Companies**. This is reflected in a number of the Company’s internal documents as well as in information exchange with the financial market regulator and the investment community.

INDUCTION

The Committee met with new top managers to discuss their professional development, career planning, areas of responsibility, key risks in their area, and the corporate culture.

In order to speed up the onboarding (adaptation to the new environment) of new members of the Board of Directors, the committee offers a package of materials on their respective competency areas of TMK Group’s business. In 2020, the composition of the Board of Directors did not change; therefore, the committee did not carry out this exercise.

The Committee met with new top managers to discuss their professional development, career planning, areas of responsibility, key risks in their area, and the corporate culture.

COMMITTEE’S SELF-EVALUATION RESULTS

- Guided by the principles of succession and expediency, the committee helped attract the best talent to management positions across the Company, retain them and offer appropriate incentives to support their performance
- The committee has the optimal number of members and is well-balanced in terms of the professional experience and expertise of its members
- The committee members were actively involved in its activities and attended meetings on a regular basis
- Participation of other members of the Board of Directors in the committee’s meetings drove engagement when discussing agenda items and did not lead to a conflict of interest
- The matters reviewed by the committee were in line with its objectives and profile, activities plan and instructions from the Board of the Directors
- The committee’s recommendations aided the Board of Directors in making well-balanced decisions supported by efficient implementation and control tools

The committee did not commission services from third-party organizations during 2020. No costs associated with such services or with technical support for the committee’s activities were incurred.

INTERNAL EVALUATION IN 2020

Following the surveys, the committee’s performance was given a high score with an emphasis on repeated meetings on matters related to HR support of TMK Group’s operation amid challenges and restrictions posed by the COVID-19 pandemic.

Following the surveys, the committee’s performance was given a high score.

STRATEGY COMMITTEE



Alexander Shokhin

Chairman of the Strategy Committee



2020 was a challenging year for all of us, and it was important to adopt a calm and professional approach to assessing the situation, identify immediate actions and update strategic priorities. The qualifications and well-coordinated work of our Directors, whose vast experience covers virtually all areas of TMK Group’s activities, as well as their insights into the current global development trends, enabled the committee to successfully meet its objectives and provide the Board of Directors with timely and thought-out recommendations.

The committee sees facilitating the Company’s sustainable growth amid external uncertainties, driving further implementation of advanced technology in management and business, and giving a new impetus to TMK’s social and environmental agenda as its objective going forward.

PURPOSE

Development and presentation of recommendations to the Board of Directors to determine the Company’s business priorities and development strategy.

GOVERNING
REGULATIONS



Regulations
on the Strategy
Committee

COMPOSITION

Alexander Shokhin	Chairman , Non-Executive Director
Sergey Kravchenko	Independent Director
Anatoly Chubais	Independent Director
Alexander Shiryayev	Executive Director
Alexander Pumpyanskiy	Non-Executive Director

COMMITTEE MEETINGS AND RECOMMENDATIONS

The committee held five meetings in 2020, where recommendations to the Board of Directors on the following matters were discussed and developed:

- Assessment of TMK’s strategic risks
- Updates to the Company’s Strategy and its implementation
- Implementation of integrated planning system and MES system across the Russian division of TMK Group
- Environmental performance at TMK Group’s facilities
- The Company’s management reports
- TMK’s annual report
- TMK Group’s target structure for 2021
- Key indicators for calculating the Company’s budget and consolidated budget for 2021.

In line with its goals, the committee comprises Directors with extensive expertise in strategic management, information technology and innovation development, as well as business experience in Russia and abroad. The composition of the committee did not change during 2020.

INTERNAL EVALUATION IN 2020

The Strategy Committee includes Directors whose experience and competencies cover almost all areas of the Company’s business and development. The committee scored highest in terms of well-balanced composition and showed stronger performance year-on-year.

PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Evaluation purpose: to identify areas for improving the performance of the Board of Directors.

According to the Russian Corporate Governance Code, the Board’s performance should be evaluated on a regular basis at least once a year, engaging an external advisor at least once every three years.

Since an external advisor was last engaged in 2019, the 2020 performance was evaluated internally through surveying on the following:

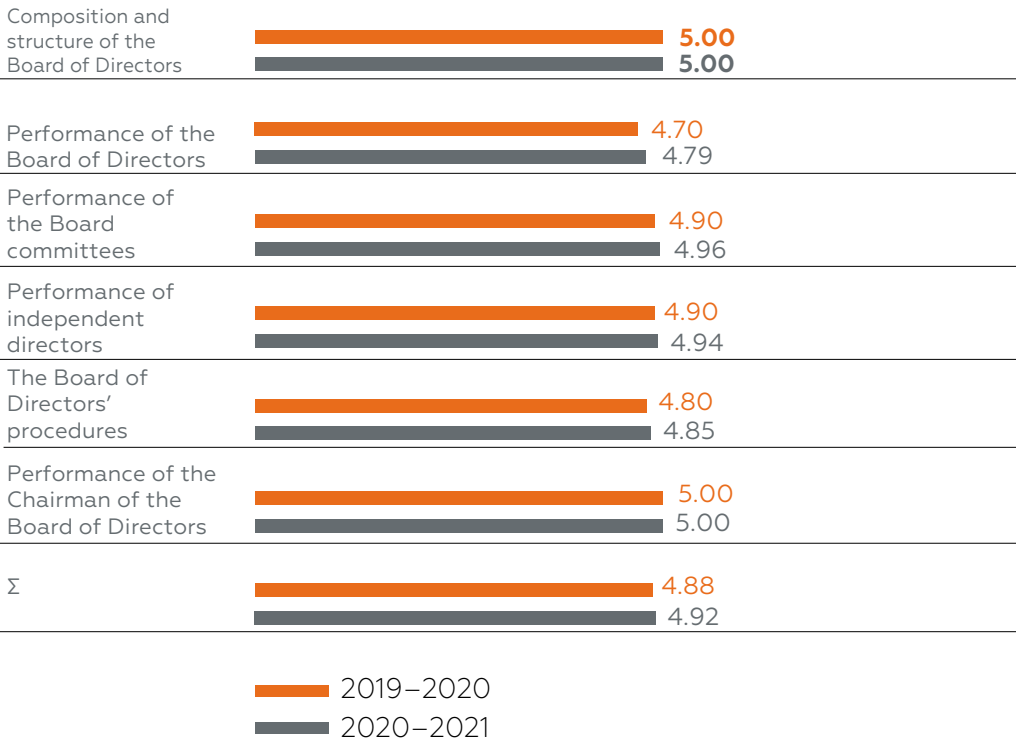
- Composition and structure of the Board of Directors
- Performance of the Board of Directors
- Committees of the Board of Directors
- Performance of independent directors on the Board
- The Board of Directors’ procedures
- Performance of the Chairman of the Board of Directors.

Review period. The 2020–2021 corporate year, i.e. the period between the Annual General Meetings of Shareholders.

Processing and analyzing the results, the total score for the completed questionnaires and scores for each section were averaged. The results were compared with the data for the previous period, and the Board’s comments were analyzed.

On a scale from 1 to 5, the maximum survey score taken as a relative maximum was 5.0; the minimum survey score taken as a relative minimum was 4.8; the total average score was 4.9.

AVERAGE SCORES BY QUESTIONNAIRE SECTION
COMPARED TO 2019–2020 DATA



Rating by Board members

(on a scale from 1 to 5)

- 4.8 performance of the Board of Directors
- 4.9 performance of independent directors
- 5.0 performance of Board committees
- 5.0 performance of the Board Chairman

RESULTS OF THE BOARD OF DIRECTORS’
SELF-EVALUATION IN 2020

- The current Board of Directors is well-balanced in terms of composition and structure
- The Board of Directors acts in the best interests of the Company and its shareholders
- The Board of Directors pays sufficient attention to almost all matters within the scope of its authority. The Board of Directors maintains a strong focus on strategic and medium-term planning, financial reporting and external audit, performance evaluation and management incentives, management succession planning and key appointments, information disclosure control, resolving conflicts of interest, legal and regulatory compliance, etc.
- Each Board committee delivers good governance and is well-balanced in terms of composition
- Independent directors significantly contribute to the Board’s discussions
- The Corporate Secretary (Secretary of the Board of Directors) follows best corporate governance practices
- The performance of the Chairman of the Board of Directors was deemed effective across his all assigned functions
- The Board of Directors scored higher in most aspects of its performance year-on-year, showing less than 2% deviation of the total average score from the maximum score.

RECOMMENDATIONS

- Consider establishing a dedicated Sustainability Committee under the Board of Directors
- Incorporate best ESG practices into strategic goals, with regular reporting on their implementation

INFORMATION ON PERFORMANCE EVALUATION OF TMK’S
BOARD OF DIRECTORS (OVER THE LAST 5 YEARS)

Review period	Evaluation type	Performed by
2015–2016	External	LLC PricewaterhouseCoopers Consulting (Moscow), part of the network of member firms of PricewaterhouseCoopers International
2016–2017	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee
2017–2018	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee
2018–2019	External	JSC R.O.S.T. Registrar
2019–2020	Self-evaluation through surveying	Internal auditor – TMK2U Corporate University
2020–2021	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee

EXECUTIVE BODIES

SOLE EXECUTIVE BODY



Igor Korytko
CEO of PAO TMK

PAO TMK’s day-to-day operations are managed by the CEO and the Management Board. The CEO also acts as the Chairman of the Management Board.

On June 05, 2020, the powers of Igor Korytko as the CEO were once again extended by resolution of the Board of Directors. A winner of the first Leaders of Russia competition (2017–2018), Igor Korytko joined TMK in August 2018 as Deputy CEO for Performance Management and was responsible for digital transformation. He has been serving as the CEO of PAO TMK since June 22, 2019.

Has been serving as the CEO of PAO TMK since June 22, 2019.

MANAGEMENT BOARD OF PAO TMK

In 2020, the Board of Directors approved the number of the Management Board members at eight, with new members elected to the Management Board: Andrey Parkhomchuk, Vice President for Commerce, and, for the first time, a female member, Elena Pozolotina, Vice President for Human Resources – Director of TMK2U Corporate University. Denis Nesterov stepped down from the Management Board.

8 members –
Management Board

CHANGES IN THE COMPOSITION OF PAO TMK’S MANAGEMENT BOARD IN 2020 (resolutions of the Board of Directors dated February 11, 2020, and June 05, 2020)

New members	Tenure on the Management Board (years)	Stepped down
Andrey Parkhomchuk Elena Pozolotina	Andrey Zimin (4.5) Igor Korytko (1.5) Vladimir Oborsky (15.5) Tigran Petrosyan (13.5) Vyacheslav Popkov (3.5) Sergey Chikalov (1.5)	Denis Nesterov

AS AT DECEMBER 31,
2020, THE MANAGEMENT
BOARD COMPRISED THE
FOLLOWING MEMBERS:



Igor
Korytko

Year of birth: 1974.

Education:
graduated from Chelyabinsk State
Technical University with a degree
in Metal Treatment Under
Pressure in 1997 and in Economics
and Business Administration
in 1998.

Holds no shares in PAO TMK.

Principal employment:
Chief Executive Officer of PAO TMK,
Chairman of the Management Board.
He joined TMK in 2018.



Public Recognition:
has been commended in a
Letter of Acknowledgement
from the Ministry of Industry
and Trade of the Russian
Federation.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	CEO, Chairman of the Management Board
2020 – present	JSC Seversky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Taganrog Metallurgical Works	Member of the Board of Directors
2020 – present	JSC Sinarsky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Trade House TMK	Member of the Board of Directors
2020 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2018 – 2019	PAO TMK	Deputy CEO for Performance Management
2016 – 2018	LLC Borets Company	Deputy CEO for Efficiency and Capacity Optimization
2016 – 2016	OJSC Izhneftemash	Executive Director

Continued →

Principal employment:

Vice President for Legal Issues of PAO TMK. He joined TMK in 2004.



Public Recognition:

has been commended in a Letter of Acknowledgement from the Ministry of Industry and Trade of the Russian Federation and is an Honorary TMK Employee.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Vice President for Legal Issues
2016 – present	PAO TMK	Member of the Management Board
2020 – present	TMK Steel Holding Limited	Member of the Board of Directors
2020 – present	JSC Orsky Machine Building Plant	Chairman of the Board of Directors
2020 – present	JSC Sinarsky Pipe Plant	Chairman of the Board of Directors
2020 – present	JSC Trade House TMK	Chairman of the Board of Directors
2020 – present	JSC Seversky Pipe Plant	Chairman of the Board of Directors
2020 – present	JSC Volzhsky Pipe Plant	Chairman of the Board of Directors
2020 – present	JSC Taganrog Metallurgical Works	Chairman of the Board of Directors
2018 – present	Completions Development S.à r.l.	Director
2018 – present	POWERSTREAM HOLDINGS LIMITED	Member of the Board of Directors
2016 – 2019	OFS Development SARL	Member of the Board of Directors
2016 – present	Completions Research AG	Member of the Board of Directors
2016 – 2016	TMK Bonds SA	Member of the Board of Directors
2016 – present	COURSE MANAGEMENT CORP.	Member of the Board of Directors
2016 – present	TMK Gulf International Pipe Industry LLC	Member of the Board of Directors



Andrey
Zimin

Year of birth: 1980.

Education:

graduated from the Moscow State Institute of International Relations in 2003.

Holds no shares in PAO TMK. On November 18, 2020, Andrey Zimin entered into a transaction to dispose of 744 PAO TMK shares (ordinary registered uncertificated shares, registration number 1-01-29031-N).

← Beginning

Andrey
Zimin

Period	Organization	Position
2016 – present	TMK Holdings SARL	Member of the Board of Directors
2016 – present	Capitoline Holdings Limited	Member of the Board of Directors
2016 – present	JSC Sinarsky Pipe Plant (previously – PJSC Sinarsky Pipe Plant)	Member of the Board of Directors
2016 – present	JSC Trade House TMK	Member of the Board of Directors
2016 – present	JSC Seversky Pipe Plant (previously – PJSC Seversky Pipe Plant	Member of the Board of Directors
2016 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2016 – present	JSC Taganrog Metallurgical Works (previously – PJSC TAGMET)	Member of the Board of Directors
2016 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2016 – present	JSC TMK-CPW	Member of the Board of Directors
2016 – present	TMK-ARTROM S.A.	Member of the Board of Directors
2016 – present	TMK-RESITA S.A.	Member of the Board of Directors
2016 – present	TMK Global AG	Member of the Board of Directors
2016 – present	TMK Middle East	Chairman of the Board of Directors
2016 – present	Rockarrow Investments Limited	Member of the Board of Directors
2016 – 2020	IPSCO Tubulars Inc.	Member of the Board of Directors

Principal employment:

CEO of JSC Trade House TMK. He joined PAO TMK in 2001.



Public Recognition:

was awarded a Medal for Battle Merit, an Order of Military Merit, a Certificate of Merit from the Ministry of Industry and Trade of the Russian Federation and is also an Honored Metallurgist.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Member of the Management Board
2020 – present	JSC Uralchermet	Member of the Board of Directors
2020 – present	PAO TMK (part-time)	Vice President for Sales
2017 – present	Pipe Producers Association	Member of the Coordinating Council
2016 – 2020	PAO TMK (part-time)	Executive Director – First Deputy CEO
2016 – present	JSC Trade House TMK	CEO
2016 – 2016	JSC Trade House TMK	Member of the Board of Directors
2016 – present	JSC TMK-CPW	Member of the Board of Directors



Vladimir
Oborsky

Year of birth: 1961.

Education:

graduated from Frunze Higher Combined-Arms Command School of Kyiv in 1982 and Frunze Military Academy in 1994 and obtained an MBA from Moscow International University in 2009. He holds a PhD in Economics.

Holds no shares in PAO TMK. On November 18, 2020, Vladimir Oborsky entered into a transaction to dispose of 7,738 PAO TMK shares (ordinary registered uncertificated shares, registration number 1-01-29031-N).



Tigran
Petrosyan

Year of birth: 1968.

Education: graduated from Yerevan State University in 1993.

Holds no shares in PAO TMK. On November 18, 2020, Tigran Petrosyan entered into a transaction to dispose of 16,850 PAO TMK shares (ordinary registered uncertificated shares, registration number 1-01-29031-N).

Principal employment:

Vice President, Chief Financial Officer of PAO TMK. He joined PAO TMK in 2001.



Public Recognition:

has been awarded a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation and a second class TMK Badge of Merit, and is also an Honorary TMK Employee.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2016 – present	PAO TMK	Vice President, Chief Financial Officer, member of the Management Board
2020 – present	Football Club Ural	Member of the Board of Directors, Chairman of the Transfer Committee
2016 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2016 – present	JSC Trade House TMK	Member of the Board of Directors
2016 – present	JSC Trade House TMK (part-time)	Deputy CEO for Economy and Finance
2016 – present	JSC Seversky Pipe Plant (previously – PJSC Seversky Pipe Plant	Member of the Board of Directors
2016 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2016 – present	JSC Taganrog Metallurgical Works (previously – PJSC TAGMET)	Member of the Board of Directors
2016 – present	JSC Sinarsky Pipe Plant (previously – PJSC Sinarsky Pipe Plant)	Member of the Board of Directors



**Vyacheslav
Popkov**

Year of birth: 1965.

Education:
graduated from Kirov Ural Polytechnic Institute in 1992 and Financial University under the Government of the Russian Federation in 2011. He received an MBA from Ural State Technical University named after the first President of Russia B.N. Yeltsin in 2009.

Holds no shares in PAO TMK. On November 18, 2020, Vyacheslav Popkov entered into a transaction to dispose of 15,594 PAO TMK shares (ordinary registered uncertificated shares, registration number 1-01-29031-N).

Principal employment:

Senior Vice President - Chief Engineer, Manufacturing of PAO TMK. He joined PAO TMK in 2003.



Public Recognition:

has been awarded a second class Medal of the Order for Merit to the Fatherland, Certificates of Merit from the Ministry of Industry and Trade of the Russian Federation and the Ministry of Industry and Science of the Sverdlovsk Region, as well as an Honorary Diploma of the Sverdlovsk Region Government. He is an Honored Metallurgist and Honorary TMK Employee.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2018 – present	PAO TMK	Senior Vice President - Chief Engineer, Manufacturing of PAO TMK, member of the Management Board
2020 – present	TMK-ARTROM S.A.	Member of the Board of Directors
2017 – 2018	PAO TMK	First Vice President (Industrial Engineering), member of the Management Board
2017 – 2017	PAO TMK	Vice President for Operations
2017 – present	JSC Seversky Pipe Plant (previously – PJSC Seversky Pipe Plant)	Member of the Board of Directors
2017 – present	JSC Taganrog Metallurgical Works (previously – PJSC TAGMET)	Member of the Board of Directors
2017 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2017 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2016 – 2017	LLC TMK-INOX	CEO
2016 – present	JSC Sinarsky Pipe Plant (previously – PJSC Sinarsky Pipe Plant)	Member of the Board of Directors
2016 – 2017	PAO TMK	Managing Director of PJSC Sinarsky Pipe Plant



**Sergey
Chikalov**

Year of birth: 1963.

Education:
graduated from the Moscow State Institute of Steel and Alloys in 1985 and is a Doctor of Technical Sciences.

Holds no shares in PAO TMK.

Principal employment:

Vice President for Technological Development and Technical Sales at PAO TMK. He joined PAO TMK in 2013



Public Recognition:

was awarded a second class Order for Merit to the Fatherland, and is also an Honorary TMK Employee as well as the winner of the Russian Federation Government Prize for Science and Technology.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2019 – present	PAO TMK	Member of the Management Board
2018 – present	PAO TMK	Vice President for Technological Development and Technical Sales
2020 – present	OJSC Gus-Khrustalny Remontno-Tekhnicheskoe Predpriyatie	Chairman of the Board of Directors, member of the Board of Directors
2020 – present	OJSC Rakityansky Armaturny Zavod	Chairman of the Board of Directors, member of the Board of Directors
2016 – 2018	PAO TMK	Vice President for Technical Sales and Innovations
2016 – present	JSC Russian Research Institute of the Tube & Pipe Industries (ROSNITI)	Chairman of the Board of Directors



Elena
Pozolotina

Year of birth: 1983.

Education:

received an MBA from Ural State Technical University named after the first President of Russia B.N. Yeltsin in 2005 and holds a PhD in Economics.

Holds no shares in PAO TMK.

Principal employment:

Vice President for Human Resources – Director of TMK2U Corporate University. She joined TMK in 2005.



Public Recognition:

has been commended in Letters of Acknowledgement from the Ministry of General and Vocational Education of the Sverdlovsk Region, Federal Agency on Technical Regulating and Metrology, and TMK.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2020 – present	PAO TMK	Vice President for Human Resources – Director of TMK2U Corporate University, member of the Management Board
2020 – present	JSC Seversky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Taganrog Metallurgical Works	Member of the Board of Directors
2020 – present	JSC Sinarsky Pipe Plant	Member of the Board of Directors
2020 – present	JSC Trade House TMK	Member of the Board of Directors
2020 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2020 – present	JSC Trade House TMK (part-time)	Deputy CEO for Human Resources
2019 – 2020	PAO TMK	Vice President for Organizational Development – Director of HR and Social Policy
2019 – 2020	JSC Trade House TMK (part-time)	Deputy CEO for Organizational Development – Director of HR and Social Policy
2018 – 2019	PAO TMK	Director of TMK2U Corporate University
2017 – 2018	PAO TMK	Director of HR Development Projects – Head of the TMK2U Corporate University project
2016 – 2017	PAO TMK	Head of the Personnel Coordination Department (Yekaterinburg)



**Andrey
Parkhomchuk**

Year of birth: 1972.

Education: graduated from Chelyabinsk State Technical University in 1995 with a degree in Metallurgical Machinery and Equipment and received an MBA from Lomonosov Moscow State University in 2006.

Holds no shares in PAO TMK.

Principal employment:

Vice President for Commerce at PAO TMK. He joined TMK in 2012.

RELEVANT EXPERIENCE IN THE LAST FIVE YEARS

Period	Organization	Position
2020 – present	PAO TMK	Vice President for Commerce, member of the Management Board
2020 – present	TMK Middle East FZCO	Member of the Board of Directors
2020 – present	CP Development SA	Member of the Board of Directors
2016 – present	TMK Industrial Solutions LLC	Member of the Board of Directors
2016 – present	TMK-ARTROM S.A.	Member of the Board of Directors
2016 – 2020	PAO TMK	Deputy CEO for International Business

As at December 31, 2020, the members of the Management Board held no interest in the Issuer and its controlled entities.

REPORT ON THE REMUNERATION OF THE BOARD OF DIRECTORS IN 2020

REMUNERATION AND REIMBURSEMENT FOR MEMBERS OF THE BOARD OF DIRECTORS



PURPOSE

To align the system of Board members’ remuneration with the shareholders’ long-term interests and ensure fair compensation for Board members to reflect their valuable services to the Company and its shareholders.

GOVERNING REGULATIONS

- Russian laws
- Regulations on the Board of Directors
- Policy on Remuneration and Reimbursement for Members of the Board of Directors

Remuneration system for members of the Board of Directors

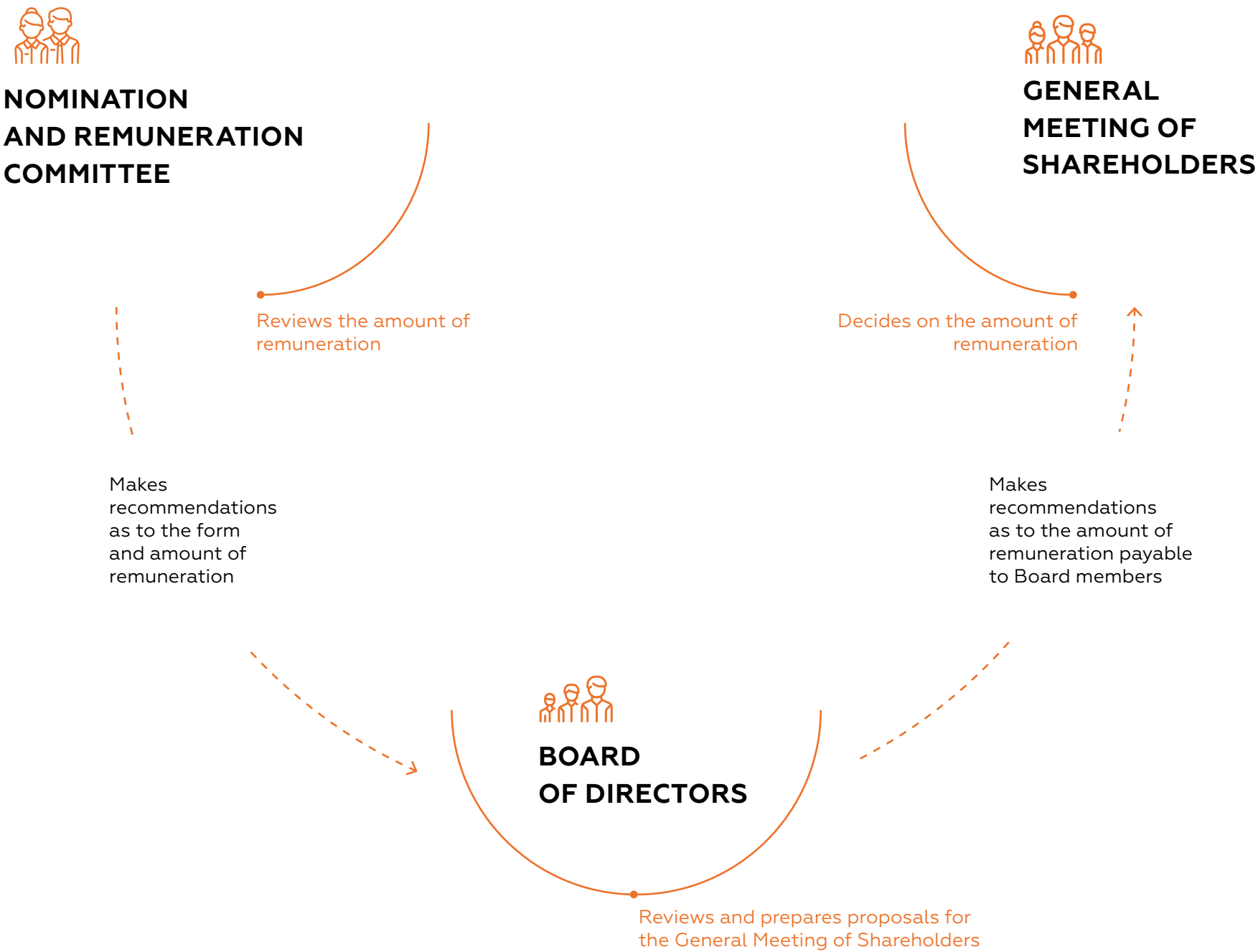
Board and committee chairs, committee members	Non-executive directors	Executive directors
<div> FIXED REMUNERATION</div>		
<div> VARIABLE REMUNERATION</div>		
<div> REIMBURSEMENT OF EXPENSES</div>		

TMK’s Policy on Remuneration and Reimbursement of Members of the Board of Directors, aligned with applicable laws and best corporate governance practices, aims at considering the Board’s responsibility, powers and time necessary to discharge their duties.

In accordance with the Policy, the amount of remuneration is linked to the performance of main duties and additional responsibilities as a Board member (who is not an executive of the Company) inherent to the roles of Chairman of the Board of Directors, committee chair and committee member.

The amount of remuneration and reimbursable expenses is subject to preliminary approval by the Board of Directors and is based on recommendations made by the Nomination and Remuneration Committee of the Board of Directors.

Procedure for determining the amount of remuneration payable to Board members



REMUNERATIONS AND REIMBURSEMENTS FOR MEMBERS OF THE BOARD OF DIRECTORS OF PAO TMK, RUB MLN

Indicator	2018	2019	2020
Remuneration for service on the Board of Directors and its committees	147.40	147.40	161.50
Reimbursement of expenses	13.66	20.71	2.97
Other remuneration	0	0	0
Total	161.06	168.11	164.47

REMUNERATION OF KEY EXECUTIVES

PURPOSE

To incentivize the executives to deliver on objectives and targets with high-quality performance and to ensure the Company’s financial stability and sustainable growth.

GOVERNING REGULATIONS

Policy on Remuneration of Key Executives of PAO TMK.

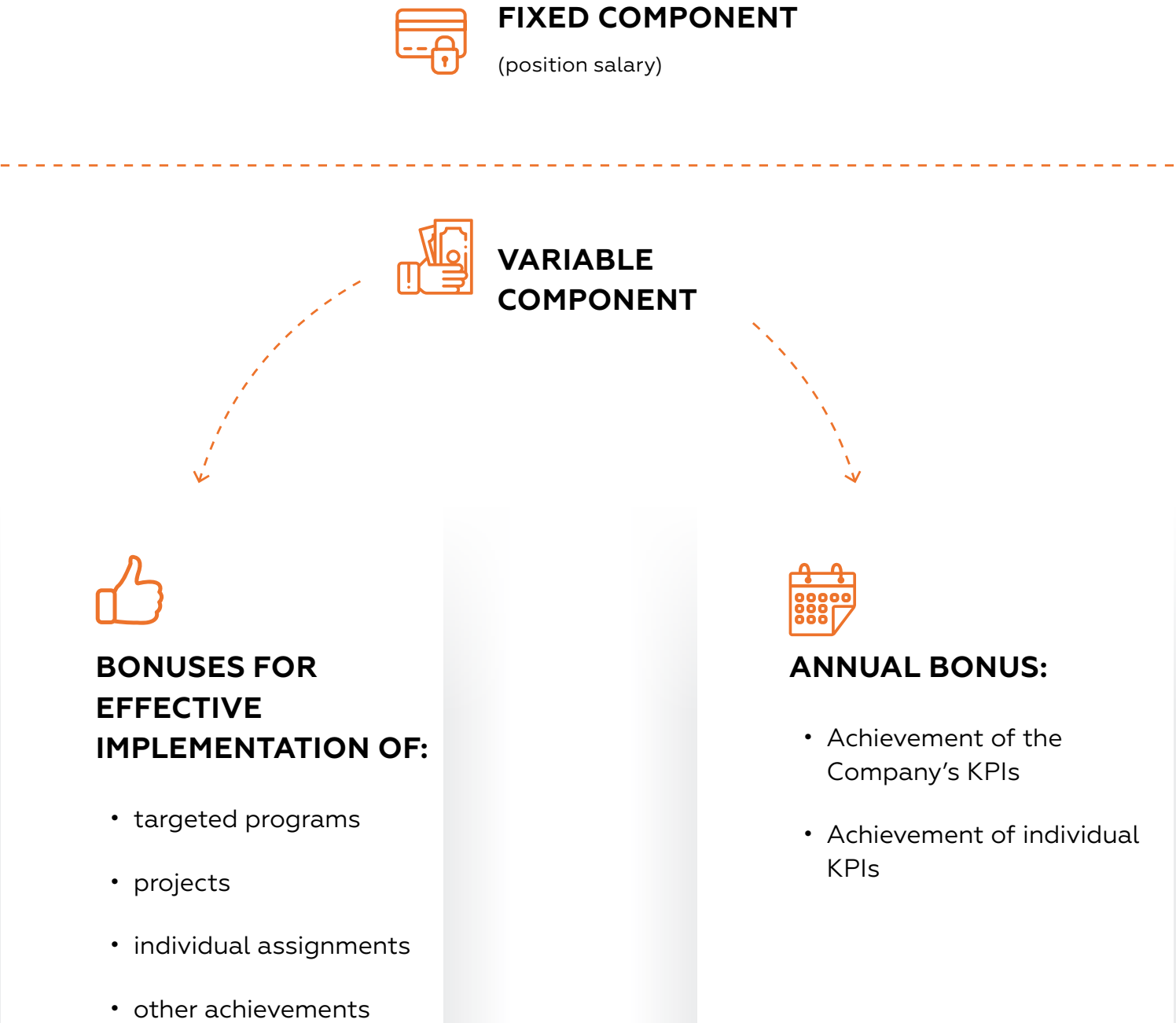
FORMS OF INCENTIVES

Short-term and long-term programs.

SHORT-TERM INCENTIVE PROGRAMME

Basic remuneration and a set of KPIs are individually determined for each manager included in a short-term incentive programme (their list is updated on an annual basis). Each KPI has a certain weight assigned to it. Based on the full-year results, the weights of KPIs are adjusted subject to the actual performance against such KPIs, measured on the approved scale.

Remuneration mix for key executives



Remuneration is accrued upon review by the Board of Directors of the Company's performance in the past year, i.e. the achievement of targets for metrics such as EBITDA, operating cash flow, product shipments, product sales revenue, etc. Managers' performance can also be evaluated on the achievement of individual targets, including project implementation (taking into account the manager's role in the project), subordinate units' delivery on their targets, performance against internal customer focus and gross profit KPIs, progress on programs to introduce new product types, etc. All this data may be sub-divided by top managers' responsibility areas into divisions, sections, individual assets or business lines.

PAO TMK's Board of Directors meetings and resolutions on remuneration of key executives:

- **February 21, 2019**
– remuneration of the Company's managers for 2018, key performance indicators and remuneration arrangements for 2019;
- **February 20, 2020**
– remuneration of the Company's managers for 2019, key performance indicators and remuneration arrangements for 2020;
- **February 18, 2021**
– remuneration of the Company's managers for 2020, key performance indicators and remuneration arrangements for 2021.

For key executives, bonus KPIs include business targets approved as part of the Company's plans and budget for the reporting year.

Since 2018, TMK has in place a **long-term incentive programme** aimed at increasing the managers' interest in the Company's capitalization growth through granting a right to receive additional remuneration for the achievement of TMK's strategic goals, based on the changes in its share price against the reference group comprising major international and Russian companies.

The information on the remuneration of managers covered by the Policy is disclosed in accordance with the corporate practices, applicable laws, regulators' requirements, the listing rules of stock exchanges and the recommendations of the Corporate Governance Code.

REMUNERATION OF PAO TMK'S CEO AND MANAGEMENT BOARD, RUB MLN

Indicator	2018	2019	2020
Salary	262.12	191.80	179.21
Bonuses	133.87	151.01	285.48
Other remuneration	0	0	0
Total	395.99	342.81	464.69

CONTROL SYSTEM

As a holding company, TMK recognizes the importance of the risk management, internal control, compliance and information security and sets higher standards for these control systems.

Control systems in place at TMK are formalized based on generally accepted international standards and cover all key assets, business processes and management levels of the Company.

PURPOSE OF THE SYSTEMS

To provide the Company’s management with an objective view of:

- the Company’s current state and prospects in terms of set goals
- risk exposure
- reliability of all types of reporting
- compliance with laws and internal regulations
- effectiveness and reliability of the risk management and internal control systems and corporate governance processes
- level of information security.

The principles of the control systems were determined by the Board of Directors and incorporated into TMK’s corporate policies and internal documents.

Control procedures are integrated into the business processes of TMK controlled entities and units and **are run on a continuous basis** by governing bodies at all levels and by employees in their day-to-day work.

The past year saw a some changes to the structure of control bodies: the **Revision Commission was dissolved** (on July 17, 2020, PAO TMK’s Articles of Association were revised).

Monitoring of the control system is done by the Board of Directors, including the Audit Committee.

INTERNAL CONTROL

GOVERNING REGULATIONS

TMK's Regulations on Internal Control which define the goals, principles and elements of TMK's internal control system, its main functions and responsibilities as well as the procedure for assessing the system.

ORGANIZATION

The internal control system is a set of internal control processes based on the existing organizational structure, regulatory documents, procedures and internal control methods used at all management levels and in all functions of the Company.



Regulations on Internal Control

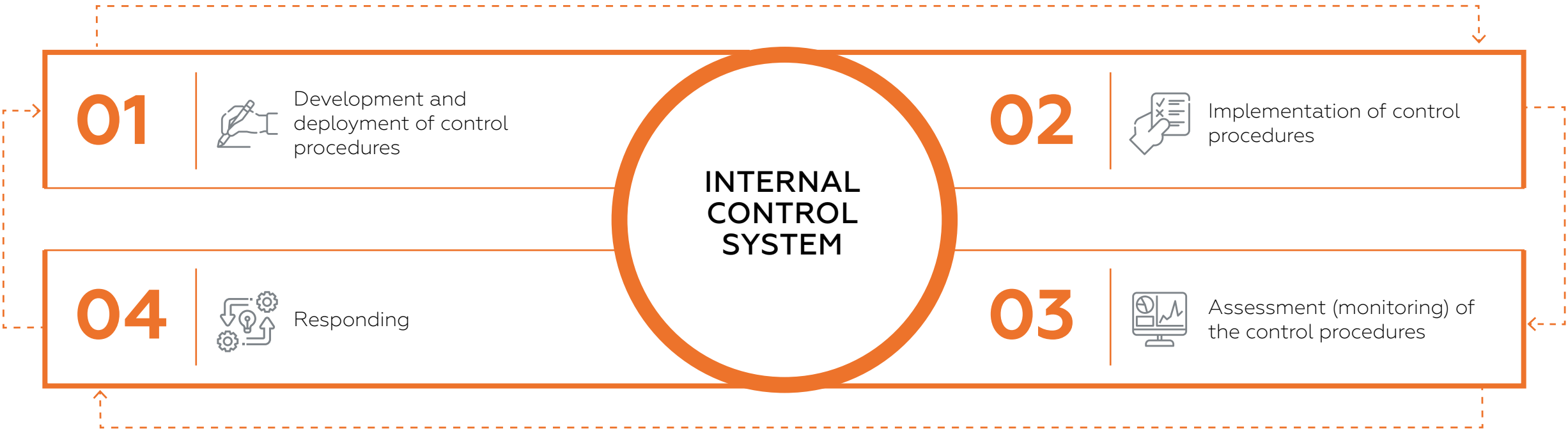
The internal control system relies on a risk-based approach, helping to identify and analyze the risks impeding the Company's business growth as well as ways to manage them. The internal control system is based on the Three Lines Model.

ASSESSMENT

The Company's Internal Audit assessed the internal control system in 2020 and concluded that its maturity is formalized and established.

PLANS

The Regulations on Internal Control will be updated in 2021, with a focus on developing the control environment, control measures and methods, communication, automation and monitoring.



RISK MANAGEMENT SYSTEM: EFFECTIVENESS DURING THE PANDEMIC

The multi-level hierarchical risk management system is present at various management levels and takes into account the role of each level in organization and ensuring the system’s functioning.

PURPOSE OF THE SYSTEM

To identify, assess, manage and control potential risk events or situations to provide reasonable assurance that the Company’s goals and objectives will be achieved.

GOVERNING REGULATIONS

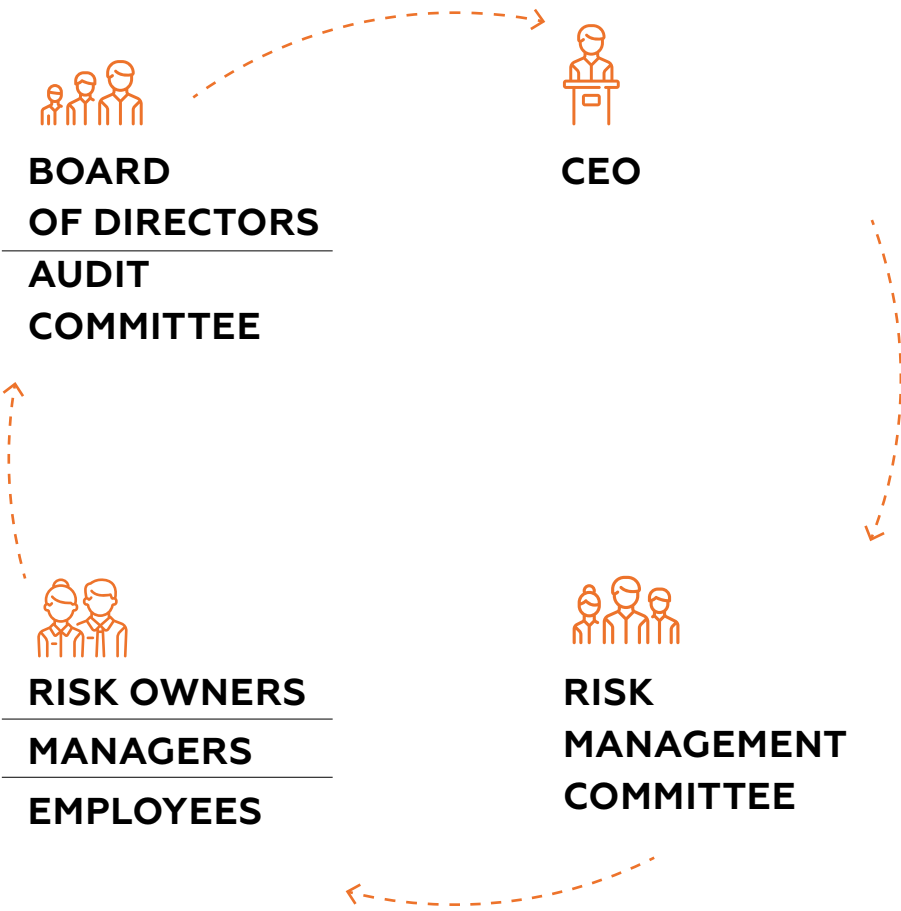


TMK Group’s Risk
Management Policy

DAY-TO-DAY RISK MANAGEMENT

Done by the CEO, via the Risk Management Committee. The Chairman of the Committee regularly reports to the Audit Committee on risk occurrence.

A dedicated unit, whose tasks are fully in line with the Russian Corporate Governance Code, coordinates risk management processes and cooperation between the Company business units.



The choice of a risk response method depends on the risk significance, its probability and impact, implementation costs and benefits.

During the pandemic, the Company’s risk management swiftly developed and implemented a set of crisis response measures.

By consistently taking crisis response risk management measures as well as measures to enhance resilience, the Company was able to organize its business processes more flexibly amid rising uncertainty.

CRISIS RESPONSE

- Risk reassessment and prioritization
- Development of crisis scenarios
- Analysis of possible response measures
- Measures to minimize the probability of risk occurrence
- Adjustment of the risk map
- Updates to internal documents

The table below lists the **Key risks related to the Company's business** in 2020 and the measures taken to mitigate them. This table should not be seen as an exhaustive list of all TMK's potential risks.

Risk	Relative impact	Risk factors	Measures to eliminate the risk
Lower prices and demand for tubular products	high	The oil and gas industry is the largest consumer of steel pipes globally. The oil and gas industry has historically been volatile, and downturns in the oil and gas markets can adversely affect demand for tubular products, which largely depends on the number of oil and gas wells under development, their depth and drilling conditions, and the construction of oil and gas pipelines. In 2020, volatility in pipe prices was driven by deteriorating global economy, including as a result of COVID-19 restrictions.	<ul style="list-style-type: none"> • Signing long-term contracts • Improving internal efficiency • Continuous monitoring of the current market situation and timely redistribution of commodity flows by regions and customers • Expanding the geography of supply
Increase in purchase prices for raw materials	high	At the end of 2020, the market saw a significant increase in prices for raw materials, in particular scrap. This trend is expected to continue in the future as business activity recovers and global coronavirus restrictions are lifted.	<ul style="list-style-type: none"> • Agreeing a formula-based pricing model with suppliers • Optimizing raw material procurement • Improving raw material utilization • Inventory management
Legal risks arising from potential actions of state authorities	low	In the post-COVID unfavorable global economic environment, further protectionist measures are taken. Russia and the European Union still have political tensions, which may lead to new sanctions affecting product exports.	<ul style="list-style-type: none"> • Monitoring of internal and external antitrust compliance risks • Analyzing international regulations governing the supply of tubular products and ensuring TMK's compliance with their requirements • Control over contracts and reviews of counterparties using automated compliance systems • Providing training for the Company employees
Environmental risks	low	Our operations must comply with environmental laws in the countries of our presence.	<ul style="list-style-type: none"> • A corporate-wide environmental policy • Environmental protection measures • In 2020, the Company adopted and follows a new strategy, which includes sustainability goals: improving occupational safety, environmental protection and corporate governance
Cyber risks	low	TMK rolls out digital technologies on a large scale in various business areas and also grows Internet communications with customers and suppliers. In 2020, the Company had to shift a significant number of its employees to remote work due to the COVID-19 pandemic. These factors may increase cyber risks.	<ul style="list-style-type: none"> • TMK's Strategy to Ensure and Improve Cybersecurity now being implemented • A set of measures, including infrastructure upgrades, security analysis of key information systems and resources • A corporate system for raising information security awareness

INTERNAL AUDIT

PURPOSE

Assist TMK’s Board of Directors/ Audit Committee and executive bodies in improving the management of TMK Group by objectively evaluating the performance of internal controls, risk management and corporate governance

GOVERNING REGULATIONS

Internal Audit Policy of TMK Group, Regulations on the Internal Audit Service of PAO TMK, Internal Audit Quality Assurance and Improvement Programme (updated on May 22, 2020).

ORGANIZATION

The Internal Audit Service is an independent unit reporting directly to PAO TMK’s CEO (administratively) and to the Board of Directors via the Audit Committee (functionally), which ensures its independence and objectivity.

2020 CHALLENGES

The difficult conditions in the reporting year required Internal Audit to make non-standard decisions, revise strategies, adopt new perspectives, and accelerate audit procedures in order to provide prompt independent and objective assurance and advice to the management to take proactive and adequate measures.

The new challenges stimulated business process diagnostics across all areas, bringing a focus to key and realizable risks and triggering a revision of plans and approaches to remote mode audits.

Internal Audit addressed the challenges and met set targets, completing 20 audits to cover 32% of the Company’s Risk Map, of which 50% were key risks (the Internal Audit Service’s report was presented to the Board of Directors on December 17, 2020).

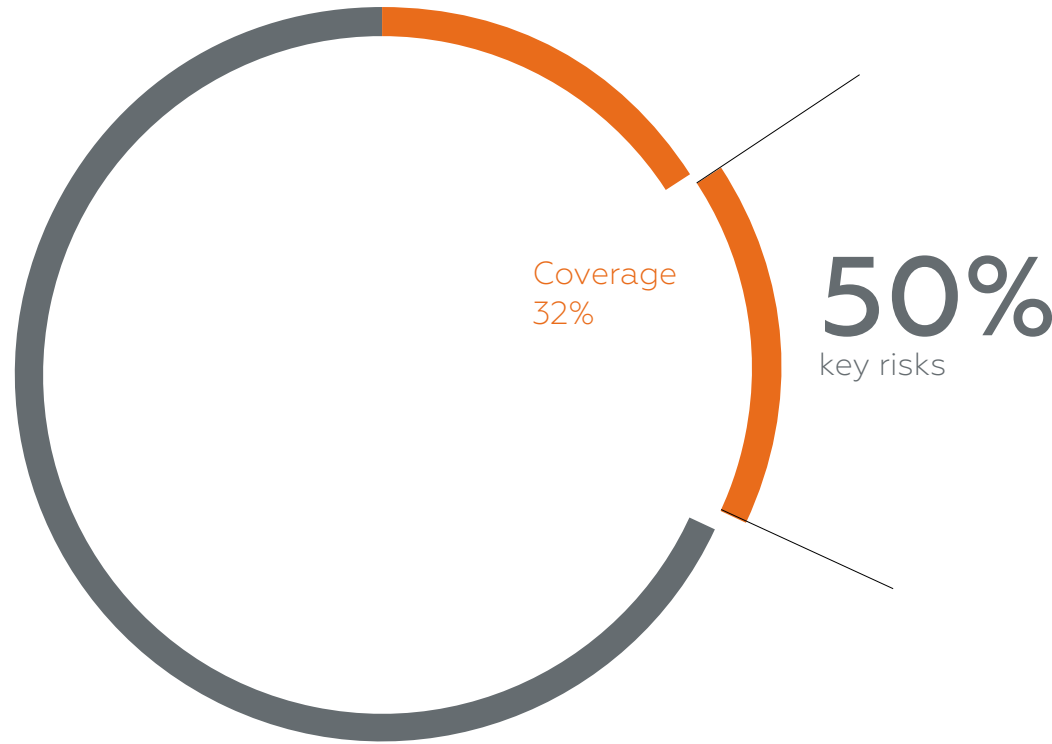
In December 2020, the Audit Committee and the Board of Directors of PAO TMK reviewed the Internal Audit Service’s report and gave a positive assessment of its performance: the Service completed its tasks as expected, and the function was deemed effective.



Regulations on the Internal Audit Service of PAO TMK

Risk map

COMPANY RISKS



INTERNAL AUDIT QUALITY ASSESSMENT

In line with TMK Group’s Internal Audit Quality Assurance and Improvement Programme (approved by TMK’s Order No. 216 dated May 22, 2020), usefulness and performance assessment of the Internal Audit Service is conducted annually (including self-evaluation, assessment by TMK’s management and the Board of Directors).

PLANS

Improve the Company’s control systems through cooperation and interaction between Internal Audit and business units, ensuring timely response to issues hindering the achievement of strategic objectives.

INTERNAL CONTROL OVER FINANCIAL REPORTING

CONTROL SCOPE

Reporting procedures for both standalone controlled entities and consolidated financial statements of PAO TMK.

PURPOSES

- Compliance of the accounting policy with national and international accounting standards (RAS and IFRS)
- Completeness and accuracy of accounting records, timely detection of errors
- Reliability of financial statements
- Conformity of financial statements to the law as well as national and international standards
- Timely preparation of financial statements

CAPABILITIES

All employees engaged in the preparation of statements have a degree in accounting or finance and are regularly upskilled. PAO TMK’s Chief Accountant and the head of the department engaged in the preparation of IFRS consolidated financial statements are members of the Association of Chartered Certified Accountants (ACCA).

DIGITIZATION

The preparation of consolidated financial statements at the Company has been automated in line with the latest international standards to ensure its efficiency. With highly digitized processes, despite working from home due to the COVID-19 outbreak, the consolidated financial statements were prepared smoothly and on time.

PRINCIPLES

Centralized approach to developing accounting policies

ASSESSMENT

During the year, the Audit Committee reviewed matters of assessing the system of internal controls and minimizing risks when preparing accounting and management reports, and provided relevant recommendations to the Board of Directors.

EXTERNAL AUDITOR

The Company engages an external auditor on an annual basis to independently assess the reliability of the accounting (financial) statements prepared in accordance with RAS and IFRS.

PURPOSE

Confirm the reliability of the Company’s financial (accounting) statements prepared in accordance with national and international financial reporting standards (RAS and IFRS).

GOVERNING
REGULATIONS

An external auditor to conduct an independent audit of the Company’s RAS statements is proposed by the Board of Directors and approved by PAO TMK’s General Meeting of Shareholders.

CONTROL

The Audit Committee assesses the external auditors for independence, objectivity and absence of conflicts of interest, oversees the external audit and reviews the external auditor’s opinion.

TMK’s auditor, Ernst & Young LLC, is a member of the Self-Regulatory Organization of Auditors Association Sodruzhestvo

In 2020, the Audit Committee made recommendations to the Board of Directors as to the appointment of TMK Group’s external auditor for 2021–2030.



Policy on Selection of
TMK Group’s External
Auditor approved by
the Board of Directors

To ensure the auditor’s independence and objectivity, the following procedures are in place:

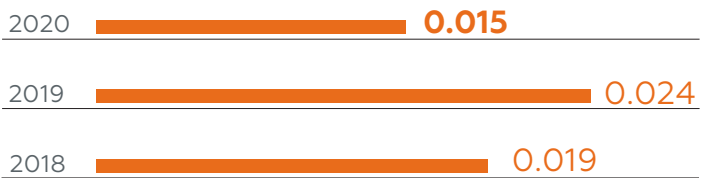
- The Company holds a tender to select TMK Group’s auditor pursuant to the terms and conditions approved by the Audit Committee, which also organizes the tender and announces its results
- The Audit Committee may request an early tender (including after the evaluation of the auditor’s performance and its independence)
- The auditor is selected from among internationally recognized independent auditors and is approved by the Board of Directors.

To mitigate the risk of a long-term relationship compromising the external auditor’s independence and objectivity, members of audit teams and the lead partner responsible for the audit are subject to rotation.

PAO TMK approved Ernst & Young LLC, a member of the Self-Regulatory Organization of Auditors Association Sodruzhestvo, as the external independent auditor of its 2020 and interim consolidated and standalone accounting (financial) statements.

In 2020, the auditor’s remuneration for auditing the annual financial statements and conducting interim reviews (including audits of standalone statements of individual TMK entities) was RUB 105.0 million, RUB 15.4 million for other audit-related services, and RUB 1.8 million for non-audit services.

SHARE OF NON-AUDIT SERVICES IN THE EXTERNAL
AUDITOR’S TOTAL REMUNERATION:



COMPLIANCE SYSTEM

LEGALITY

TMK Group's
Code of Ethics

APPROVED by the
CEO of PAO TMK,
Order No. 65 dated
February 26, 2019.

APPROVED by the
Board of Directors of
PAO TMK, Minutes No.
16 dated February 08,
2019.



The key element of the Company's activities is strict observance of the applicable laws, the Articles of Association and policies of the Company (including this Code), and good business practices. The image and reputation of the Company, as well as that of each and every one of its employees, depend on these rules being enforced.

TMK has a clearly structured and independent compliance framework, which ensures compliance with legal and ethical standards. The system integrates preventive measures, detection of, and sanctions for, violations. This process is coordinated by the CEO's Committee on Regulating Compliance Risks and its regional subcommittees which work based on a single plan across all TMK Group's divisions and plants.

Compliance framework



BOARD
OF DIRECTORS



AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS



GOVERNING REGULATIONS AND STANDARDS

TMK has the Compliance section on its corporate website, in the upper part of the top navigation panel, which contains a set of documents guiding the Company's compliance function:
<https://www.tmk-group.ru/compliance>.



TMK Group's Code of Ethics



10 Point Code of Ethics



Certificate of Accession to the Anti-Corruption Charter of Russian Business



Regulations on the Committee on Regulating Compliance Risks



Reminder concerning the use of the hotline



Regulations on the Conflicts of Interest



Antitrust Policy



Regulations on the TMK Charity Policy

PAO TMK follows best anti-corruption standards in its business:

- Guidelines for Development and Adoption of Measures by Organizations to Prevent and Combat Corruption of the Russian Ministry of Labor
- Transparency International's Business Principles for Countering Bribery
- Global Reporting Initiative

FIGHTING CORRUPTION AND FRAUD

PURPOSE

Maintain a zero tolerance attitude toward corruption offences.

At any time of day or night, any Company employee can and should inform the Company of any incidences of the offences outlined above via the following channels:

- **by Whistleblower Hotline: 8 800 700 8072 (you may call free of charge, from anywhere in the country, round the clock)**
- **by e-mail: 8072@tmk-group.com (you may send the notification from any email address)**
- **by post to: 40/2a Pokrovka Street, Moscow, 101000, Hotline.**



The Company categorically rejects, does everything to halt and will put a stop to such phenomena as corruption, commercial bribery, fraud and money-laundering.

During the year, TMK implemented TMK Group’s 2020 Anti-Corruption Improvement Programm as instructed by the Board of Directors of PAO TMK (Minutes No. 5 dated September 19, 2019).

VETTING COUNTERPARTIES AND MONITORING TRANSACTIONS

Transactions within counterparties’ ownership chain are continuously monitored for conflicts of interest, with anti-corruption clauses and other mandatory conditions included in contracts and with risks of all TMK’s counterparties reviewed for sanctions risks using the X-COMPLIANCE program.

In 2020:



2,282
reports
received via the Hotline



34
trainings held



2,078
employees
received compliance training

Mobi2U mobile app, a new information tool, launched

Planned certification to international standards ISO 19600 Compliance Management Systems and ISO 37001 Anti-Bribery Management Systems in 2021.

MANAGING POTENTIAL CONFLICTS OF INTEREST

PURPOSE

Identify, manage and prevent conflicts of interest involving the Company employees and potential negative outcomes of conflicts of interest for the Company.

The Regulations define the basic principles of, and the procedure for, identifying, preventing and managing conflicts of interest. The Regulations are mandatory for all Company employees regardless of their positions.

All new hires are required to familiarize themselves with the Regulations and fill out and sign a Conflict of Interest Disclosure Form.

Statutory regulations on preventing and managing conflicts of interest are reflected in PAO TMK’s Articles of Association, Regulations on the Board of Directors, Regulations of the Management Board, Code of Ethics, Corporate Governance Code and other regulations governing procurement and other business processes.

EXPECTATIONS

Acting reasonably and in good faith, governing bodies pass resolutions on a fully informed basis, with no conflicts of interest, subject to equal treatment of the Company’s shareholders, and assuming normal risk levels.

GOVERNING REGULATIONS

TMK Group’s corporate standard Regulations on the Conflicts of Interest approved by Order of the CEO of PAO TMK No. 182 dated May 13, 2019.

In 2020
were audited

7,150
counterparties

were identified

1,082
compliance risks

REPORT ON PREVENTION OF CONFLICT OF INTEREST IN 2020

Mechanism	Compliance status
Level of the Company's shareholders	
<ul style="list-style-type: none">• Adhering to the order of, and procedure for; passing resolutions on key matters• Complying with the voting procedure for interested party transactions and disclosing transactions• Ensuring transparency and openness when preparing and holding Meetings of Shareholders, and prompt information disclosures on meeting agendas and resolutions passed by the Board of Directors• Engaging external auditors from the Big Four accounting firms• Deploying dilution of value prevention tools.	<ul style="list-style-type: none">• Full compliance.• Full compliance. Transactions are disclosed as material facts in quarterly issuer reports and in this Annual Report.• Full compliance. Information disclosed at http://www.e-disclosure.ru/portal/company.aspx?id=274.• Full compliance. Auditor: LLC Ernst & Young.• Full compliance. Our vendors are selected in line with the corporate standards, which provide for open competitive procurement procedures.
Level of the Board of Directors	
<ul style="list-style-type: none">• Members of the Board of Directors are to refrain from actions that will or may result in a conflict between their interests and those of the Company and should such a conflict arise, they should promptly disclose to the Company any relevant information:<ul style="list-style-type: none">– Notify the Board of Directors of TMK securities owned by them and transactions with such securities, disclose their equity interests in controlled entities, contemplated transactions in which such members of the Board of Directors could be deemed interested (with the existing interest and its grounds to be promptly disclosed)– Notify the Board of Directors of their intention to join the governing bodies of other entities (apart from the entities controlled by the Company) and of being elected (appointed) to such bodies.	<ul style="list-style-type: none">• Full compliance. No conflicts have been identified• Full compliance.• Full compliance.
Level of PAO TMK employees	
<ul style="list-style-type: none">• Employees must provide the Company with information, in writing, regarding any conflict of interest between the employee or their close relatives and the Committee on Regulating Compliance Risks (Subcommittee).• Protecting employees from adverse consequences due to a reported conflict of interest that has been promptly disclosed by the employee and managed (prevented) by the Company.	<ul style="list-style-type: none">• In 2020, Subcommittees reviewed 12 cases of potential conflicts of interest at Its meetings (8 of them were confirmed).• Full compliance. The Company has in place whistleblower protection mechanisms, and no cases of retaliation have been identified.

Each conflict of interest is reviewed and managed as any new case arises.

The Company’s special authorized body responsible for prevention and settlement of conflicts of interest is the Committee on Regulating Compliance Risks.

FEEDBACK

To enable public control, TMK operates a hotline information system (telephone lines and email – 8072@tmk-group.com), which can be used by the Company’s employees, investors, clients and other stakeholders to report any known abuse or violations. Overall, in 2020, TMK’s hotline received 1,138 calls (up 32% year-on-year) and 1,144 e-mails (up nearly 34% year-on-year). The appropriate personnel and management decisions were taken to address the confirmed cases.

PROTECTION FOR WHISTLEBLOWERS

To ensure the anonymity of whistleblowers, all incoming information is directed to a dedicated group of three authorized members of the Committee on Regulating Compliance Risks, who have signed a non-disclosure agreement.

TRAINING

The Committee on Regulating Compliance Risks organized training workshops for senior managers and members of the Board of Directors as well as regular trainings for employees of TMK Group entities.

Nine employees of TMK Group entities were trained under the ICA program, passed exams and received international certificates in basic compliance. The head of the Compliance Risk Department holds an international professional diploma in Compliance and is an Honorary Member of the International Compliance Association (ICA).

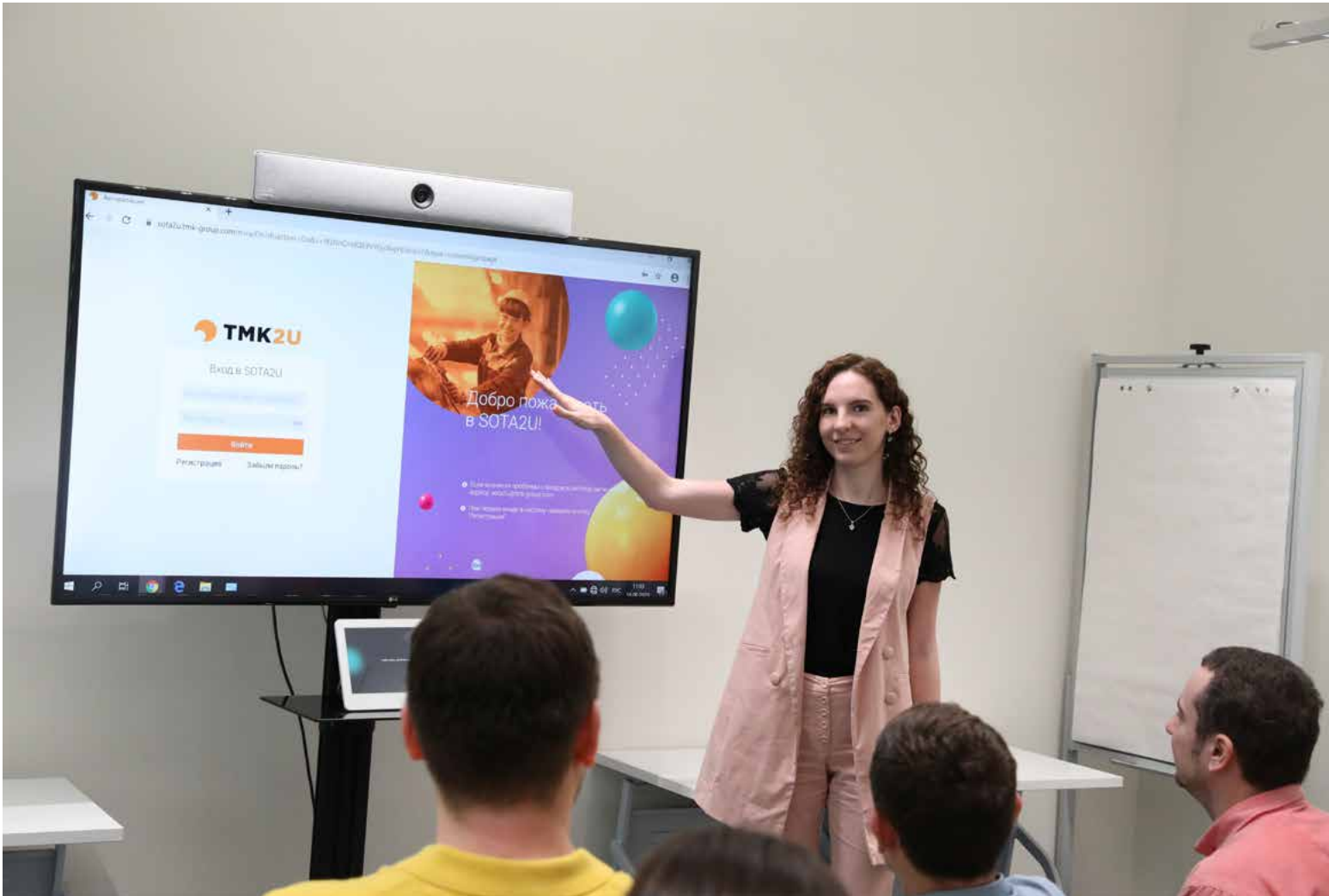


The Committee on
Regulating Compliance
Risks

No conflicts of interest were identified with either members of the Board of Directors or members of the Management Board of PAO TMK in 2020.

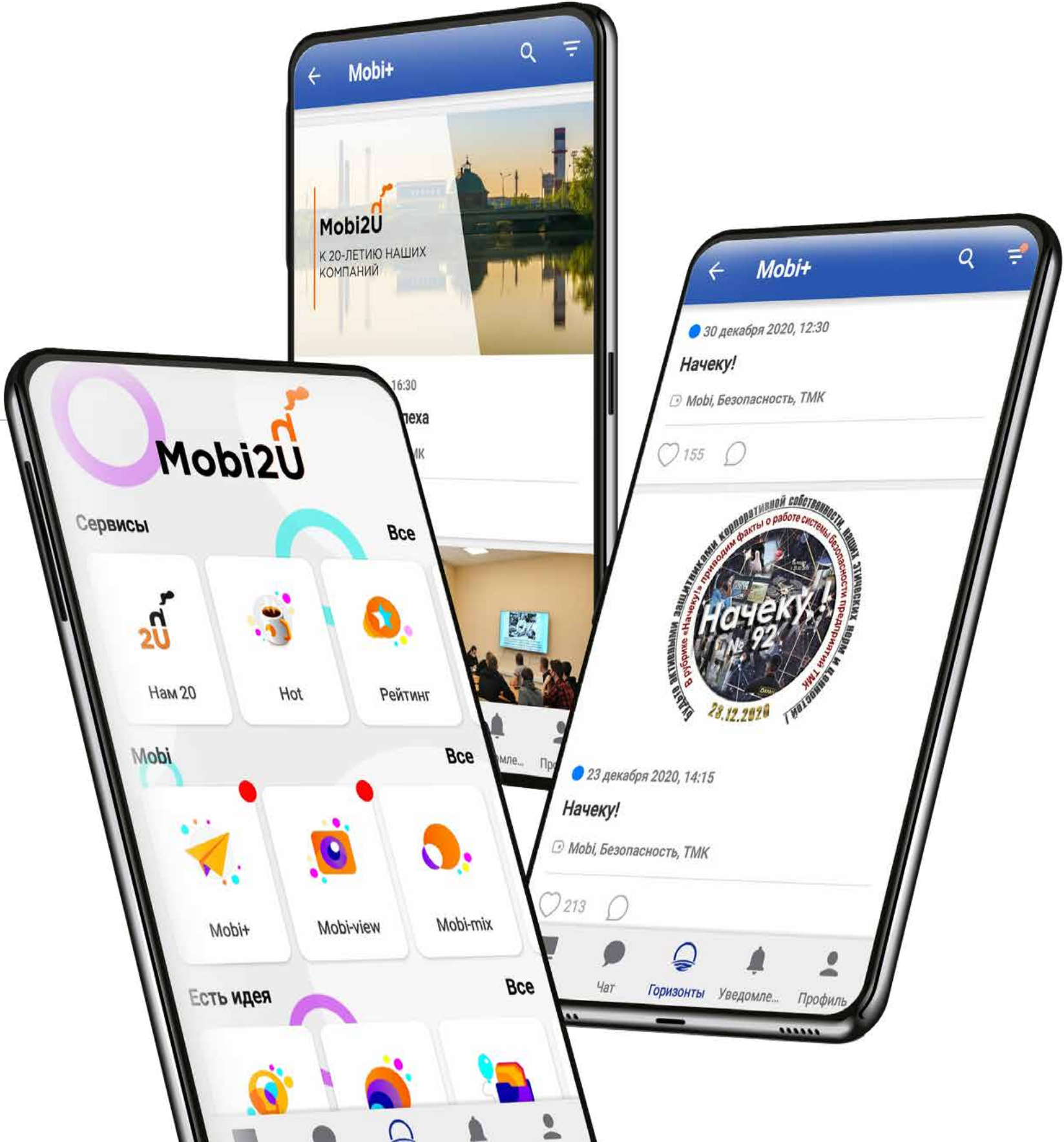
During 2020, the Company held 34 trainings (taking into account COVID-19 restrictions) on identifying, assessing and managing compliance risks, covering a total of 1,828 people.

In addition, 250 people were trained in the Compliance Risk Management programme as part of distance learning on the TMK2U platform. The Company launched the PAO TMK’s Code of Ethics. The Company further launched the On the Shop Floor interactive course on the platform in December 2020 and continues to develop new projects, such as PAO TMK’s Code of Ethics. Office, Sanctions Compliance, and Conflict of Interest.

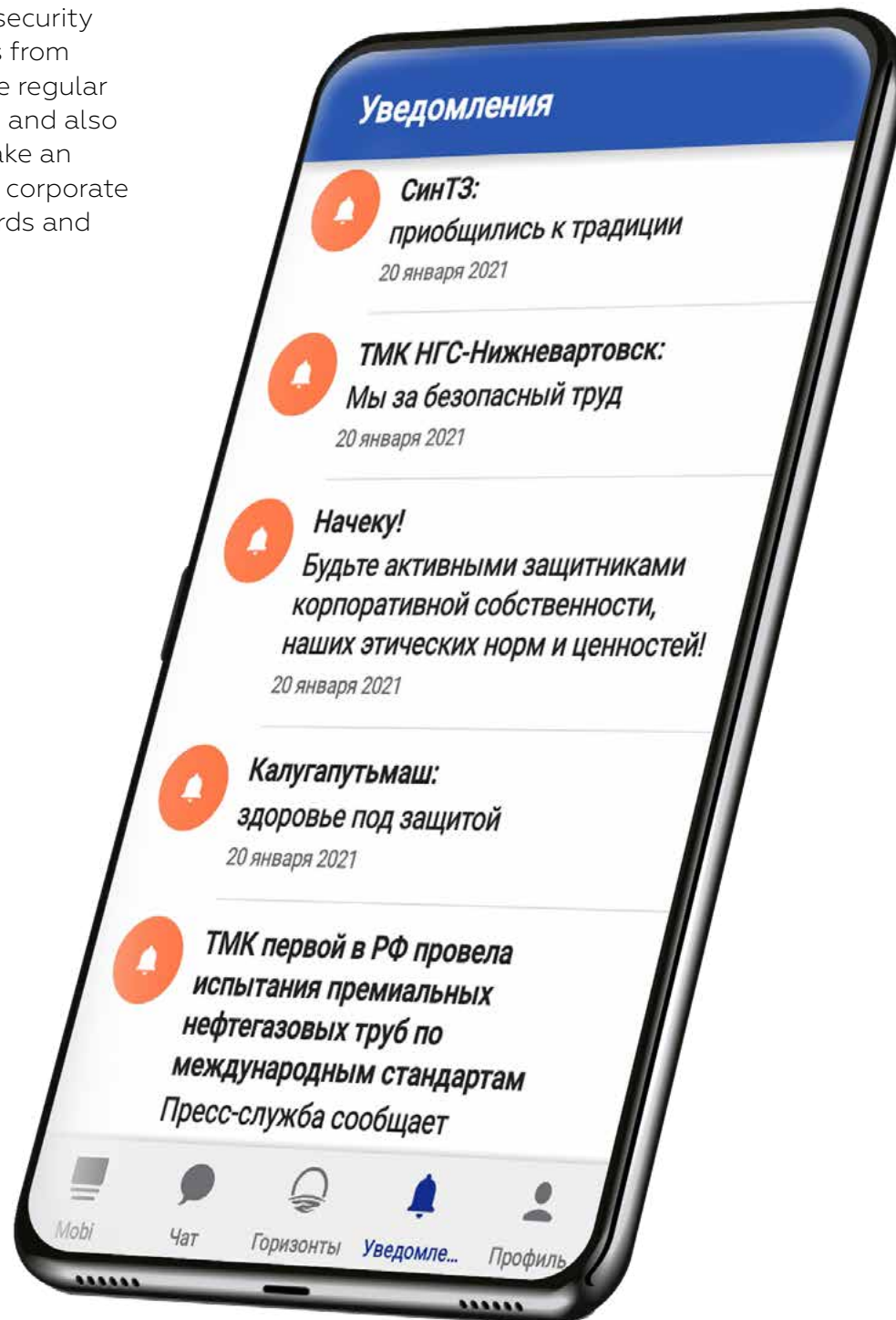


DIGITIZATION

With some employees shifting to remote work, a new security awareness tool was introduced via the **Mobi2U** corporate mobile app.



Every Company employee can find out news on TMK's security system at its enterprises from their mobile phone in the regular On the Lookout! column and also use the mobile app to take an active part in protecting corporate property, ethical standards and values.



PUBLIC ACTIVITY

TMK is a member of the International Compliance Association (ICA).



TMK is a member of the Russian Union of Industrialists and Entrepreneurs (RSPP) and has signed the Anti-Corruption Charter of Russian Business.

TMK regularly participates in the All-Russian Interactive Anti-Corruption Campaign launched by the Russian Chamber of Commerce and Industry.

ASSESSMENT

TMK Group's 2020 anti-corruption report was discussed at a meeting of the Audit Committee (minutes dated December 16, 2020) and received a positive assessment.

PLANS

- Pass certification to international standards ISO 19600 Compliance Management Systems and ISO 37001 Anti-Bribery Management Systems in 2021 in line with TMK Group's Anti-Corruption Improvement Programme
- Launch distance courses PAO TMK's Code of Ethics. Office, Sanctions Compliance, and Conflict of Interest.

INFORMATION SECURITY

PURPOSE

Protect commercially sensitive confidential information, insider information and personal data of employees, shareholders and partners.

GOVERNING REGULATIONS

Strategy to Ensure and Improve Cybersecurity to 2022, Information Security Policy of TMK Group Russian Entities, the medium-term programme to improve security of TMK's IT infrastructure.

Adapting to current business realities and taking proactive steps, TMK promotes rapid automation/digitization of its operations. As they are mostly performed in IT systems, this significantly increases cybersecurity requirements.

DELIVERING THE 2019–2022 STRATEGY TO ENSURE AND IMPROVE CYBERSECURITY IN 2020

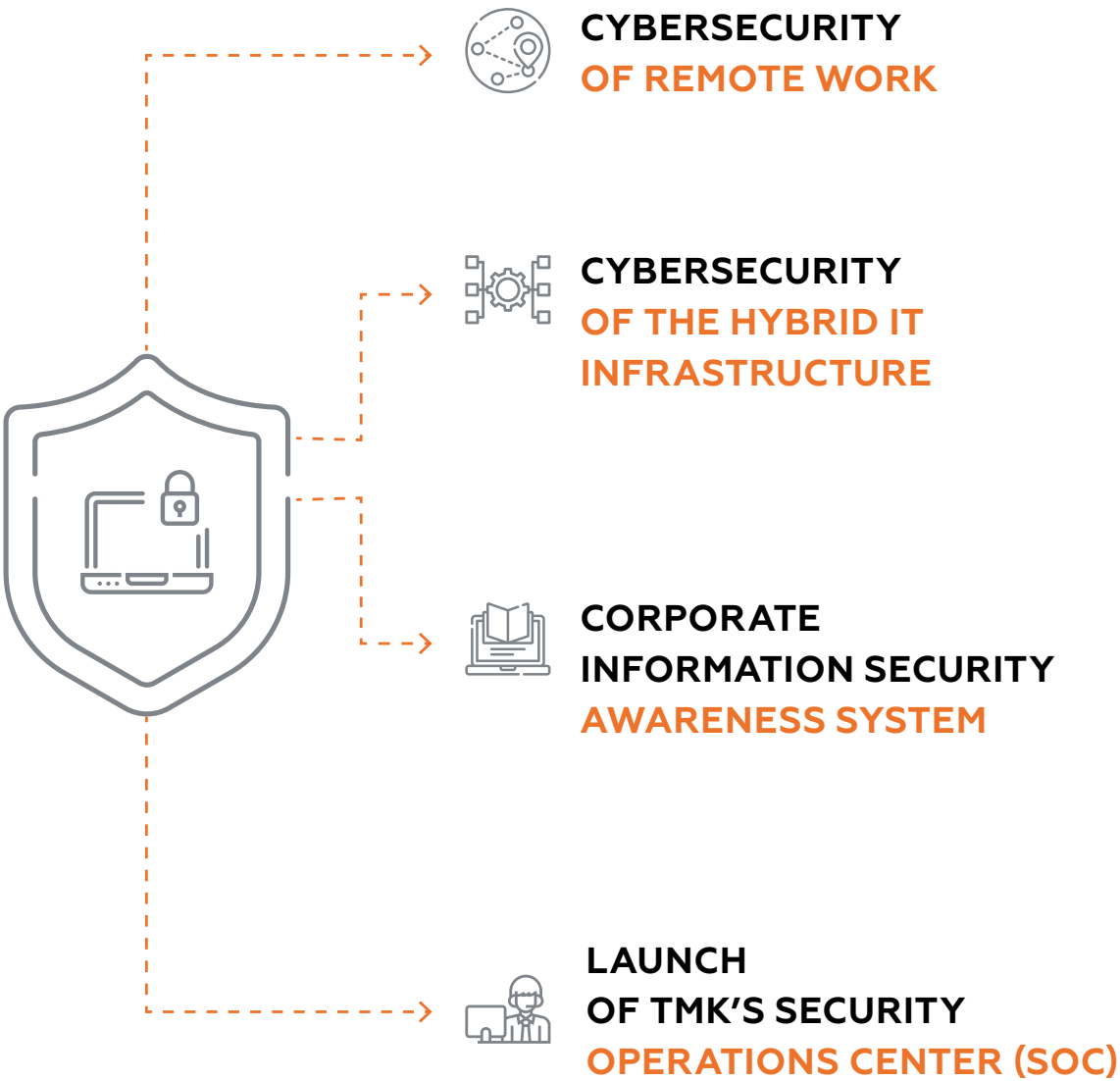
The projects planned for 2020 under the Strategy were, as the events of the past year have proven, strategically timely and substantiated and were implemented in full, establishing TMK's leadership in technology in challenging conditions for business.

ORGANIZATIONAL STRUCTURE

Vice President for Security, PAO TMK's Information Technology Department, PAO TMK's Economic Security Service, PAO TMK's IT Infrastructure Protection Department, as well as local cybersecurity departments and desks at PAO TMK's entities.

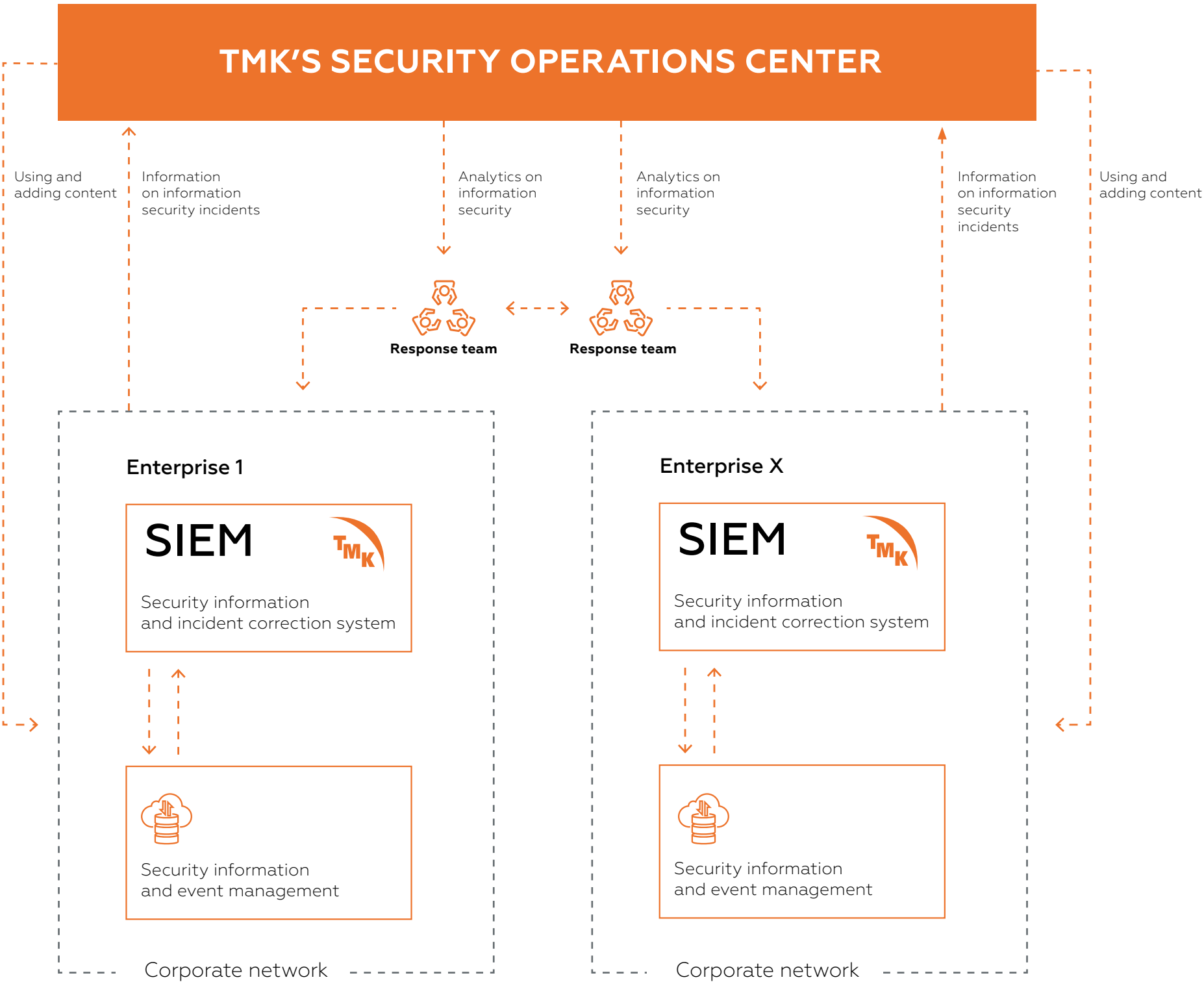
The projects planned for 2020 under TMK's IT Security Strategy were, as the events of the past year have proven, strategically timely and substantiated. These projects were implemented in full, establishing TMK's leadership in technology in challenging conditions for business.

IT Security Projects in 2020



Following the requirements of the corporate information security standard, in early 2020, TMK transitioned to the hybrid IT infrastructure, creating a cloud-based virtual data center fully integrated with the corporate infrastructure.

- TMK was one of the first companies in Russia to start the process of shifting its workforce to remote work. The Company’s IT team was able to implement a flexible cloud solution that enabled a smooth shift with practically no interruptions in business processes or additional costs. During the pandemic, almost 9,000 TMK employees (about 20% of the total headcount) shifted to remote work.
- In 2020, TMK set up and launched the Security Operations Center (SOC) connected to the key sites of the Russian division, including the executive office and main data centers. The center serves as a platform for centralized monitoring and responding to information security incidents within TMK Group and also interacting with the State System for Detection, Prevention and Consequence Management of Cyberattacks on Web Resources in the Russian Federation (GosSOPKA). We have already seen tangible benefits from these measures amidst a growing number of cyber attacks during the COVID-19 related lockdown.
- TMK implemented a corporate information security awareness system comprising a whole range of measures to improve digital hygiene: interactive courses and trainings on countering phishing and social engineering methods on the platform of TMK2U Corporate University, regular newsletters, etc.



CYBER RESILIENCE, IT RISKS, DEVELOPMENT

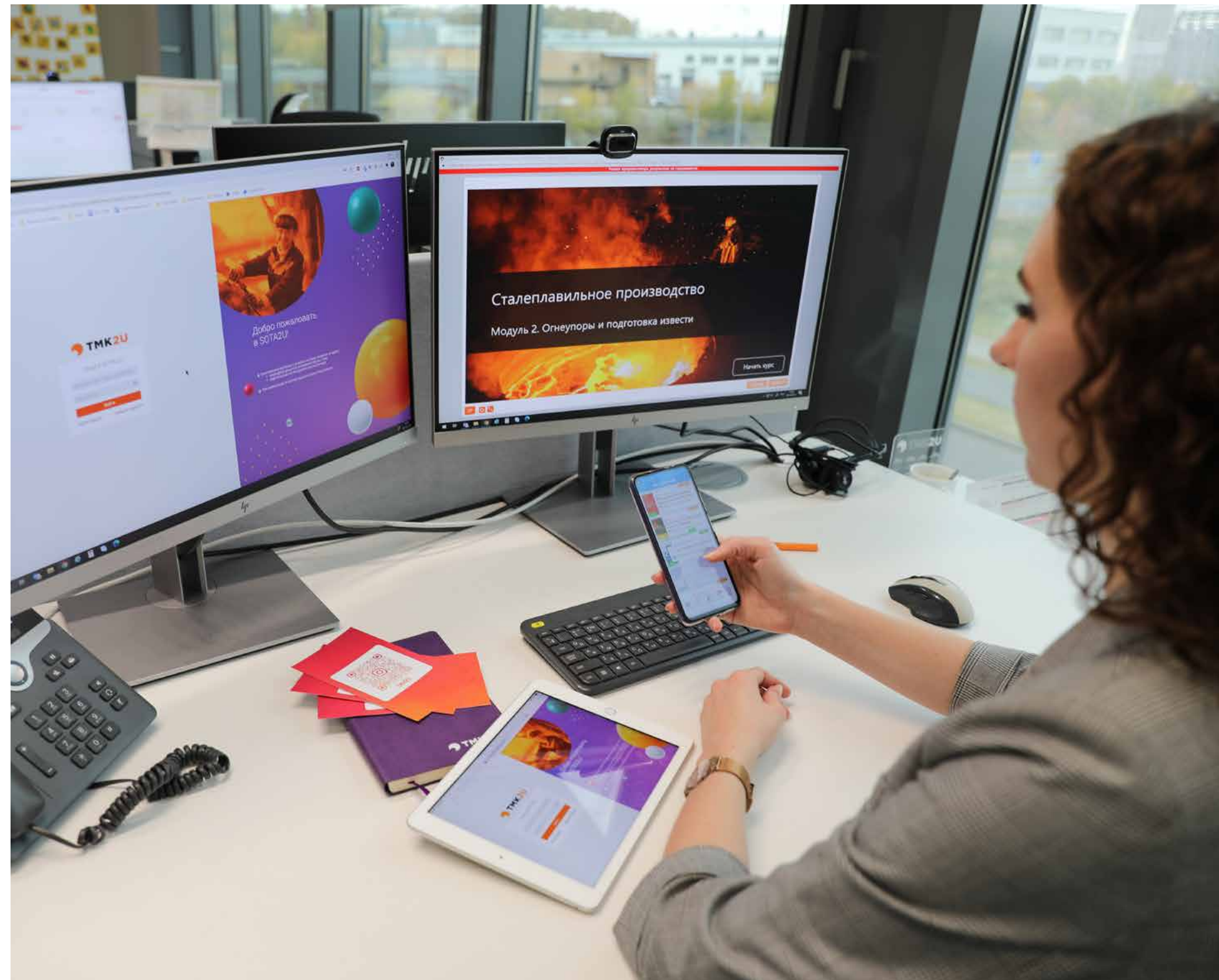
The conditions in which TMK had to work in 2020 have served as a testing ground for IT and information security systems in a real business environment and confirmed the systems' reliability. As part of the corporate risk management system, cybersecurity risks were identified in a timely manner and promptly responded to, with measures developed to minimize key risks and their potential consequences in the future.

KEY IT RISKS

- Loss of control over the Company's information systems regulating business process due to unauthorized access to the corporate network (i.e. cyberattacks)
- Disruption of business continuity
- Loss of control over information sources, data leaks from information systems.

PLANS

- Ensure IT security of TMK's digital transformation projects
- Assess the maturity of cyber security in TMK's Russian division: develop a methodology, conduct the assessment, develop follow-up measures and solutions. These measures will significantly enhance the information security efficiency
- Proceed from audits and preparations to implementing measures and deploying security systems at critical facilities (in line with the requirements of Federal Law No. 187-FZ On Security of Critical Information Infrastructure of the Russian Federation) in 2021–2022
- Conduct corporate cyber security awareness training



SHAREHOLDER AND INVESTOR INFORMATION

COMPANY’S SECURITIES

ORDINARY SHARES

As at December 31, 2020, the share capital of PAO TMK was comprised of 1,033,135,366 fully paid-up ordinary shares with a nominal value of RUB 10 each. PAO TMK has not issued any preferred shares, either outstanding or authorized.

Authorized capital totals RUB 10,331,353,660.

Ordinary shares of PAO TMK are traded on the Moscow Exchange and are included into the first-level quotation list of PJSC Moscow Exchange.

The Moscow Exchange ticker	TRMK
Bloomberg code	TRMK RM for ordinary shares traded on the Moscow Exchange
Reuters code	TRMK.MM for ordinary shares traded on the Moscow Exchange

At its meeting on April 8, 2020, TMK’s Board of Directors approved the programme to repurchase PAO TMK ordinary shares and also evaluated the benefits of retaining TMK GDRs listed on the London Stock Exchange. The Board of Directors decided that the listing of the Company GDRs is no longer a strategic priority for the Company and approved their delisting following the completion of buyback programme to repurchase ordinary TMK shares.

The programme to purchase ordinary shares was carried out by Volzhsky Pipe Plant, a wholly-owned subsidiary of TMK, through a

voluntary offer under Russian laws. The voluntary offer was made on May 18, 2020, for 358,758,064 outstanding ordinary TMK shares, which represent all TMK’s outstanding ordinary shares other than the ordinary shares held by Volzhsky Pipe Plant and other Group companies, TMK Steel Holding Limited and senior management of the Group companies. The acceptance period of the voluntary offer was 70 days from the date of receipt of the voluntary offer (from May 19, 2020, to July 27, 2020 inclusive). The purchase price was RUB 61 per ordinary share. On August 13, 2020, final calculations under the voluntary offer were made. Volzhsky Pipe Plant acquired 229,958,764 ordinary PAO TMK shares, making up about 22.26% of the total number of outstanding ordinary shares.

At its meeting on September 11, 2020, TMK’s Board of Directors approved a new programme to repurchase up to 129,198,754 of the Company outstanding ordinary shares at RUB 61 per share. The programme was carried out by Volzhsky Pipe Plant by entering into transactions in the OTC market and on the Moscow Exchange in the Buyback: Direct Orders trading mode. As a result, the Group acquired 29,854,245 ordinary PAO TMK shares, making up about 2.89% of the total number of the Company’s outstanding ordinary shares.

On 17 September, 2020, TMK’s listing and admission to trading GDRs on the London Stock Exchange in line with Regulation S and Rule 144A under the ticker TMKS were cancelled following the Company’s application to the UK Financial Conduct Authority and the London Stock Exchange.

Following the delisting of its GDRs on the London Stock Exchange, TMK notified The Bank of New York Mellon (the depository bank for the GDR programme under Regulation S and Rule 144A and Level I ADR program) of the termination of the deposit agreement on TMK GDRs and ADRs. The depository subsequently notified GDR and ADR holders of the termination. The ADR programme was terminated on September 18, 2020, and the GDR programme was terminated on November 19, 2020.

In December 2020, TMK Steel Holding Limited (the parent company of PAO TMK) completed transactions to repurchase 315,916,868 PAO TMK own shares, increasing its stake in the Company to 95.6369%.

BONDS

As of March 11, 2021, the Company had six outstanding rouble exchange bond issues with an aggregate par value of RUB 50 billion and a \$500 million Eurobond issue.

ROUBLE BONDS

Indicator	BO-5	BO-6	BO-7
Amount issued, RUB mln	5,000	5,000	10,000
Coupon	10–13 coupon – 6.5%	7–9 coupon – 8.0%	1–8 coupon – 9.35%
Term	10 years	10 years	10 years
Issue date	April 13, 2016	April 25, 2017	June 02, 2017
Maturity date	April 01, 2026	April 13, 2027	May 21, 2027
Next put date	October 05, 2022	October 19, 2021	May 28, 2021
Coupon payments	Each 182 days	Each 182 days	Each 182 days

Indicator	001P-01	001P-02	001P-03
Amount issued, RUB mln	10,000	10,000	10,000
Coupon	1–4 coupon – 8.35%	1–12 coupon – 7.15%	1–16 coupon – 7.35%
Term	2 years	3 years	4 years
Issue date	April 23, 2020	February 20, 2021	March 05, 2021
Maturity date	April 21, 2022	February 17, 2024	February 28, 2025
Next put date	–	–	–
Coupon payments	Each 182 days	Each 91 days	Each 91 days

EUROBONDS

Indicator	Eurobonds-2027
Issuer/Lender	TMK Capital SA
Borrower	PAO TMK
Type	LPN
Amount issued, USD	500,000,000
Issue date	February 12, 2020
Maturity date	February 12, 2027
% rate	4.3%
Trading platform	Euronext Dublin
ISIN RegS	XS2116222451
ISIN 144A	–
Credit ratings (S&P/Moody's)	BB–/B1

CREDIT RATINGS

Indicator	S&P Global	Moody's	RAEX (Expert RA)
Long-term credit rating	BB–	B1	
Outlook	Negative	Positive	Stable
Long-term credit rating, national scale	–	–	ruA
Last revised	April 20, 2020	January 22, 2020	April 15, 2020

On January 22, 2020, Moody’s Investors Service (Moody’s) upgraded the outlook on TMK’s credit rating from Stable to Positive and affirmed the Company’s B1 corporate family rating. On January 29, 2020, S&P Global Ratings upgraded TMK’s credit rating from B+ to BB– with a stable outlook. On April 20, 2020, S&P Global Ratings revised TMK’s rating outlook to negative.

SHARE CAPITAL STRUCTURE

PAO TMK SHAREHOLDINGS AS AT DECEMBER 31, 2020

Indicator	%
TMK Steel Holdings (including affiliates) ¹	95.6369
Free float	4.3631
Total	100.00

As at December 31,2020, 4.3631% of PAO TMK shares were free float. PAO TMK’s Board of Directors and Management Board jointly held a total of 223,031 shares, or 0.0216% of the Company’s authorized capital.

¹ The main beneficiary is Dmitry Pumpyanskiy.

DIVIDENDS

TMK’s dividend policy is governed by the principles of balanced capitalization growth and higher dividends, based on the net profit for a relevant period and factoring in the Company’s operational needs and investment requirements. PAO TMK’s Board of Directors generally recommends the General Meeting of Shareholders to pay dividends on the outstanding shares in amounts equal to at least 25% of the Company’s IFRS consolidated net profit.

Key priorities of TMK’s dividend policy include higher capitalization of the Company, a compelling investment case, wealth growth, and balancing the interests of all shareholders. The dividend policy is articulated in the Regulations on the Dividend Policy, which seek to build a transparent and effective mechanism for determining the amount of dividends and the dividend payout procedure, and outlining the Board of Directors’ strategy in preparing recommendations on dividends payable on shares, as well as the terms and procedure for dividend payouts.

Key priorities of TMK’s dividend policy include higher capitalization of the Company, a compelling investment case, wealth growth, and balancing the interests of all shareholders.



Regulations on the Dividend Policy

DIVIDENDS ACCRUED AND PAID OUT BY THE COMPANY FROM 2016 TO 2020

Dividend period	Total dividends, RUB mln	Dividend per share, RUB	Announcement date	Payment date set by the General Meeting
6M 2016	2,004.283	1.94	September 29, 2016	November 14, 2016
2016	2,024.945	1.96	June 08, 2017	July 26, 2017
Total dividends accrued in 2016: RUB 4,029.228 mln				
2017	2,355.549	2.28	June 21, 2018	August 06, 2018
3M 2019	2,634.495	2.55	June 28, 2019	August 22, 2019
6M 2020	3,099.406	3.00	November 26, 2020	January 19, 2021

SHAREHOLDER RIGHTS

PAO TMK makes every effort to ensure that shareholders can exercise their rights as set forth in the Company’s Articles of Association:

- The Company holds annual General Meetings of Shareholders and complies with the respective recommendations of the Russian Corporate Governance Code (see paragraphs 1.1.1–1.1.5 of the Appendix to this Report); starting from 2019, the Company has been providing shareholders with remote access to General Meetings through teleconferencing
- The Company holds extraordinary General Meetings of Shareholders, if this is requested by shareholder(s) owning at least 10% of shares or the Board of Directors, or if requested by auditor
- The Company ensures that shareholders owning at least 2% of shares can put forward proposals as regards the agenda for the Annual General Meeting, propose nominees to, and candidates for, the Board of Directors and the Counting Commission, as well as convene meetings of the Board of Directors
- The Company adopted the Dividend policy (updated in 2018 <https://www.tmk-group.ru/internal-documents>, <http://www.e-disclosure.ru/portal/files.aspx?id=274&type=1>) and is building a strong dividend track-record (see the Dividends subsection of this Annual Report)
- The Company complies with all recommendations on material corporate actions which safeguard the rights of shareholders and ensure equal treatment of shareholders (execution by the Company of major transactions or other actions that could lead to material changes in the rights of shareholders or damage their interests)
- The Company prepares and discloses the Company’s and TMK Group’s financial (accounting) statements and selects an internationally recognized auditor to review them
- The Company ensures timely disclosure of material facts and results relating to the Company’s operations, constituent documents, internal regulations and guidance



Regulation and internal documents on the Company’s website



Regulation and internal documents on the Corporate Information Disclosure Center website

- The Company continuously engages with shareholders and investors by updating its website page at <https://www.tmk-group.ru/ir>; publishes financial statements, press releases and presentations; holds Capital Markets Days and conference calls, responds to individual queries, etc.
- The Company regularly updates shareholder details jointly with the registrar
- The registrar’s website offers the Shareholder’s Personal Account service whereby persons on the shareholder register, including clients of nominee holders, can obtain materials for Annual General Meetings of Shareholders, vote online, as well as view personal account balances, shareholder details, dividends accrued and taxes withheld.

TRANSPARENCY

PURPOSE

To provide shareholders, bondholders, the investment community and other stakeholders with equal and timely access to information about the Company’s performance, enabling them to make informed decisions regarding TMK and its securities.

GOVERNING REGULATIONS

Internal regulations on cooperation between TMK business units and entities in the process of information disclosure.

IMPLEMENTATION

Executive bodies, the Corporate Secretary, Vice President, Investor Relations and other Company units within the powers granted to them by internal regulations.



A special section for investors on the TMK website



Regulations on the Information Policy



Regulations on Insider Information



List of Insider Information

CONTROL

Board of Directors and TMK dedicated units.

Mandatory disclosures:

<http://www.e-disclosure.ru/portal/company.aspx?id=274>

<https://www.tmk-group.ru/> <https://www.tmk-group.com/>

- Strict compliance with all statutory, regulatory and stock exchange requirements
- Simultaneous disclosures in Russian and English
- Disclosure of material facts, issuer’s reports, including TMK’s IFRS consolidated financial statements and RAS accounts, list of affiliates, (the Company’s internal regulations and policies)
- The issuer’s quarterly and annual reports.

ADDITIONAL DISCLOSURES

<https://www.tmk-group.ru/ir>
<https://www.tmk-group.com/ir>

- Investor section on TMK’s website <https://www.tmk-group.com/ir>
- Quarterly publications of TMK’s IFRS consolidated financial statements
- Quarterly press releases presenting analysis of the Company’s financial performance, as well as guidance
- Quarterly financial and operational performance presentations
- Quarterly calls for investors and analysts to discuss the Company’s results and guidance
- Investor roadshows
- Participation in investment and industry conferences
- Capital Markets Days
- Site visits to TMK’s facilities for investors and analysts
- Feedback

For stakeholder convenience, we updated the interface and structure of the corporate disclosure website in 2020, providing faster and easier access to useful information.



Quarterly financial and operational performance presentations



Capital Markets Days

Despite the unprecedented external challenges of the reporting year, we ensured timely disclosure of facts that may influence investment decisions, to our stakeholders. In the reporting year, TMK disclosed 141 material facts relating to the Company’s operations. In particular, the Company detailed the progress and results of the buyback programme to repurchase PAO TMK ordinary shares, as approved by the Board of Directors.

Type of disclosure	Number
Meeting agendas and decisions of the Board of Directors	37
Transactions	21
Disclosure of financial and other statements	17
Exercise of security rights	17
Changes in the ownership structure	15
Security issues	12
Performance results	7
Convening and decisions of the General Meeting of Shareholders	4
Listing of securities	4
Changes in ratings	3
Other	4

141 material facts
TMK disclosed relating
to the Company’s operations

IMPROVEMENT

TMK representatives play an active role in efforts to improve disclosure regulations to increase their relevance and eliminate redundant, unnecessary formal procedures and duplications (a regulatory guillotine process). The vast majority of our proposals have been implemented by regulatory authorities.

2021 PLANS

To update the internal regulatory framework and revise respective business processes to ensure compliance with new requirements of Russian laws relating to information disclosure effective from October 01, 2021.



Responsible

business

Approved
by CEO of PAO TMK
on April 27, 2021

SUSTAINABLE DEVELOPMENT REPORT

TMK Group operates in compliance with generally accepted standards of business conduct and is guided by the principles of social responsibility and sustainable development.

SUSTAINABLE DEVELOPMENT REPORT

Environmental responsibility, safe working conditions, looking after employee health and development, respecting human rights, creating decent living conditions and improving the quality of life in the regions in which we operate are our key priorities underpinning the long-term success of our business. We strive to create value for our stakeholders, to be transparent and open to dialogue.

TMK Group companies are major employers and taxpayers, with entire ecosystems centered around them. The Company strives to minimize its environmental impact and improve the environmental situation in the regions in which it operates, to help develop and maintain social infrastructure, enhance the scientific and educational potential of the regions where it operates, and create an innovative environment by introducing advanced technologies and scientific developments.

ESG RATINGS

MSCI
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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In December 2020, the Group's MSCI ESG (Environmental, Social and Governance) rating was affirmed at «BB».



In March 2021, ISS affirmed TMK's corporate governance score of 3 (with 1 being low risk and 10 being high risk).

PUBLIC RECOGNITION

In 2020, TMK ranked seventh in the sustainability ranking of Russian companies compiled by the Expert magazine – the best performance among Russian steelmakers. The ranking includes five measures of performance:

- financial performance
- social policy and HR management
- environmental performance of operations
- contribution to social infrastructure development and charitable activities in regions of operation
- SME engagement

According to the survey, TMK scored the most in Local Development, taking the sixth place in this category.

For the third year running, TMK topped the annual social efficiency ranking among Russian metals and mining companies, compiled by AK&M Analytical Information Agency to assess the social efficiency of major Russian companies, determine the leaders and identify the companies that make the biggest contribution to society while producing the lowest impact on the environment, as well as to find the right balance between the companies' environmental footprint and their positive social impact.

STAKEHOLDER RELATIONS

As the global leader in the pipe industry in Russia and worldwide, TMK maintains an ongoing dialogue with all its stakeholders and holds itself accountable to key stakeholders.

TMK identifies stakeholders as individuals or legal entities or groups of parties that may be significantly affected by the Company's operations, and that may affect the Company's ability to successfully implement its strategy and achieve its goals.

TMK's key stakeholders are the Company employees and trade unions, consumers, suppliers and contractors, local communities, shareholders and the investment community, federal and regional authorities, business associations, and mass media.



**TMK Group's Code
of Ethics**

TMK aims to identify the needs and expectations of each stakeholder, actively develops engagement practices and maintains their high corporate profile. In our stakeholder relations, we seek to balance interests and base our dialogue and cooperation on the principles of mutual respect, partnership and integrity. Our principles are set out in TMK Group's Code of Ethics.

This Annual Report is a key communication tool simultaneously addressing all of our constituent stakeholders. When preparing this Annual Report, we primarily focused on addressing stakeholders' concerns in the reporting year and also followed expert recommendations to improve the Report's quality.

Stakeholder relations and information addressing the concerns of stakeholders are presented in relevant sections of this Annual Report and in the chart below.

STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Consumers

- Focus on mid-term and long-term partnerships
 - Delivering on all contractual obligations
 - A technical sales function to align our offers to consumer demands
 - A CRM system aimed at:
 - improving the efficiency of consumer relations in sales departments
- improving response time to consumers’ needs, speeding up request processing and commercial offer preparation
 - increasing consumer satisfaction considering their comments and preferences regarding order fulfillment
 - a feedback channel through a customer survey system.
- A quality management system compliant with ISO 9001:2015 and API Spec Q1
 - Products manufactured at TMK plants are certified to API, TÜV, ASTM and DIN international standards, European directives, etc. and have all necessary permits
 - Quality Policy
 - Product range expansion
 - Capacity upgrade programme
- TMK eTrade, a tubular goods online store
 - The Products section of the website
 - A dedicated website to showcase TMK’s premium connections
 - Workshops for consumers on the proper use of TMK’s tubular products for various sectors
 - Membership in international and Russian industry associations and organizations
- Participation in exhibitions and industry conferences
 - Code of Ethics setting out the Company’s operating principles
 - Anti-corruption Hotline



Quality Policy



TMK eTrade



TMK’s premium connections



Code of Ethics



Anti-corruption Hotline

STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Suppliers

- Focus on mid-term and long-term partnerships
 - Delivering on all contractual obligations
- Uniform principles of supplier relations based on healthy competition among manufacturers, suppliers, and contractors
- An e-commerce platform for procurement of TMK’s Russian division
- Code of Ethics setting out the Company’s operating principles
- Anti-corruption Hotline



E-commerce platform



Code of Ethics



Anti-corruption Hotline

Employees, trade unions

- HR Strategy
 - Code of Ethics setting out the Company’s business ethics principles
 - Employee relations based on the principles of social partnership
- Creating a favorable and safe working environment and improving living standards of employees
 - Providing competitive salaries in the regions in which TMK plants operate
 - KPI-based remuneration
- Unified (single) compensation system
 - Social benefits and guarantees
 - Providing opportunities to unlock talent and potential for performance-driven employees
 - Abiding by the terms and conditions of collective bargaining agreements in place at TMK Group’s plants
- Trade union meetings, and other meetings to discuss and sign collective bargaining agreements
 - Personnel training and development provided by TMK2U Corporate University
- An industry-specific independent qualification assessment center at the National Agency for Qualification Development
 - Building up an internal talent pipeline
 - Engaging employees via corporate media (the YouTube magazine, plant newspapers, corporate TV and the Mobi2U application), social media and the corporate portal
- Employee engagement survey



Code of Ethics

STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Shareholders, lenders

- | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Compliance with best practices in corporate governance• Equal access to information about the Company | <ul style="list-style-type: none">• Protection of shareholder rights set out in the Company's Articles of Association• The Investors section of the corporate website | <ul style="list-style-type: none">• Corporate webpage on the Interfax information disclosure website• Regulations on the Information Policy | <ul style="list-style-type: none">• Disclosure of financial results on a quarterly basis• General Meetings of Shareholders | <ul style="list-style-type: none">• Publication of annual reports• Capital Markets Days• Participation in investment conferences | <ul style="list-style-type: none">• Site visits to TMK plants |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|



The Investors section of the corporate website



Corporate webpage on the Interfax information disclosure website



Regulations on the Information Policy

Federal and regional authorities

- | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Abiding by the applicable laws• Keeping track of changes in the applicable laws and enforcement practices, as | <p>well as legislative initiatives, and preparing proposals on improving the legal framework</p> | <ul style="list-style-type: none">• Engagement in making and implementing decisions by industry associations and organizations | <ul style="list-style-type: none">• Engagement in the work of advisory bodies and targeted expert teams | <ul style="list-style-type: none">• Partnership with regional authorities to address social and economic issues | <ul style="list-style-type: none">• Compliance with environmental laws, holding events to promote environmental protection and mitigate environmental footprint |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Businesses and non-governmental organizations

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Membership and engagement in Russian and international industry and non-governmental organizations | <ul style="list-style-type: none">• Participation in forums, conferences, exhibitions and workshops relevant to the Company's businesses |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|

Local households, local communities

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Engagement in the social and economic development of regions• Cooperation with non-profit organizations and the expert community in the regions of operation | <ul style="list-style-type: none">• Sponsorship and philanthropy• Holding events to promote environmental protection and mitigate environmental footprint |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Media

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Arranging for interviews of Russian and international mass media with the Company's top management• Communicating financial results and TMK's day-to-day operations | <ul style="list-style-type: none">• Regular communication with mass media (including answering requests)• Media tours to TMK plants• Posting the latest news and information on social media |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

HUMAN RESOURCES AND SOCIAL POLICY



**Elena
Pozolotina**

Vice President for Human Resources – Director of TMK2U Corporate University



At TMK, we treat HR management as an interconnected system. The systematic approach to HR management helps ensure TMK maintains its position as one of the world’s leading pipe producers and one of the industry’s best employers, providing competitive working conditions, social guarantees, professional development opportunities and growth potential for career-driven employees.

Our human capital is a key competitive advantage, and investment in personnel is integral to the Company’s long-term development. We see a return on this investment through improved performance across the Company’s key business metrics.

We pay close attention to internal customer focus as we believe it allows us to effectively address the pool of large-scale and ambitious business objectives we set for ourselves.

PURPOSE

Align TMK’s human capital with our strategic objectives and ensure employees are motivated and have the professional qualifications needed to achieve them.

GOVERNING REGULATIONS

TMK’s HR Strategy for 2020–2027, which is based on TMK’s Business Strategy adopted by the Board of Directors in 2020, TMK’s HR Management, Internal Regulations and Policies Relevant to the of Strategy’s Key Functional Areas of corporate quality management standard.

TMK’s HR Strategy defines:

- corporate HR management principles
- corporate values
- strategic HR initiatives
- key areas and tasks
- corporate HR management KPIs.

ORGANIZATION

Vice President for Human Resources – Director of TMK2U Corporate University provides overall guidance and coordinates HR management activities across TMK Group facilities. HR management organization at each of the Company’s facilities is structured as an integral part of the company-wide function.

37,160
group headcount

3
years
TMK2U Corporate University

IMPLEMENTATION OF TMK’S HR STRATEGY IN 2020

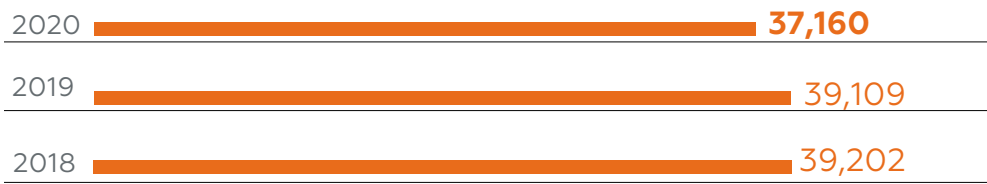
CORPORATE DEVELOPMENT AND HEADCOUNT
MANAGEMENT

In 2020, TMK’s total headcount across its facilities in Russia, the EU (including Romania), the UAE and Kazakhstan was 37,160. We continued implementing our comprehensive approach to building a robust management framework focused on synchronizing business processes and the Company’s production plans across our organizations, enabling us to right-size our workforce across TMK. We maintained high staff performance in a challenging financial and economic environment brought about by the COVID-19 pandemic. Importantly, 2020 was marked by the integration of new assets into TMK Group.

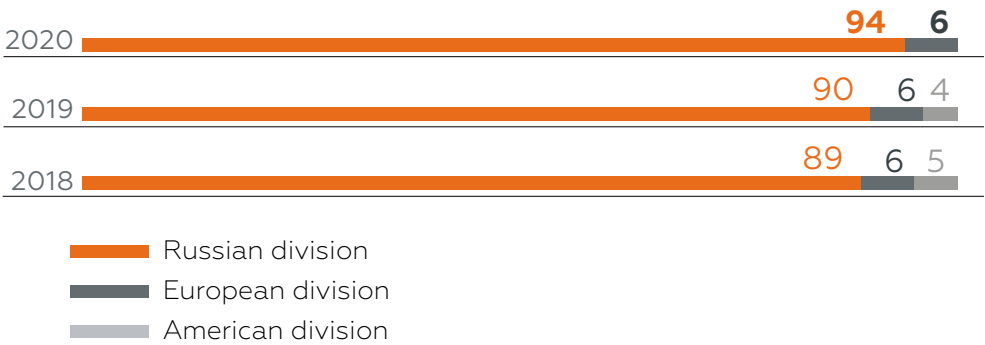
Headcount changes in 2020 were due to:

- the implementation of the project to sell TMK’s American division and the retention of the two core divisions, Russian and European
- the addition of new production assets to the Russian division, specifically: JSC Uralchermet, LLC Parus and LLC Truby 2000 in the Russian division.

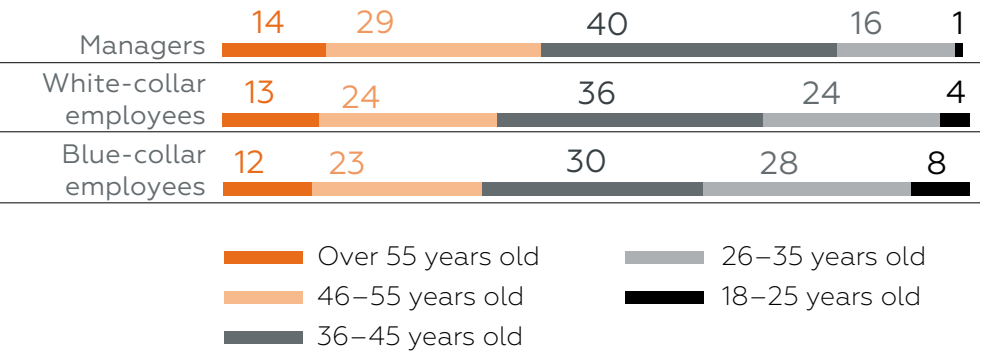
TMK’S HEADCOUNT



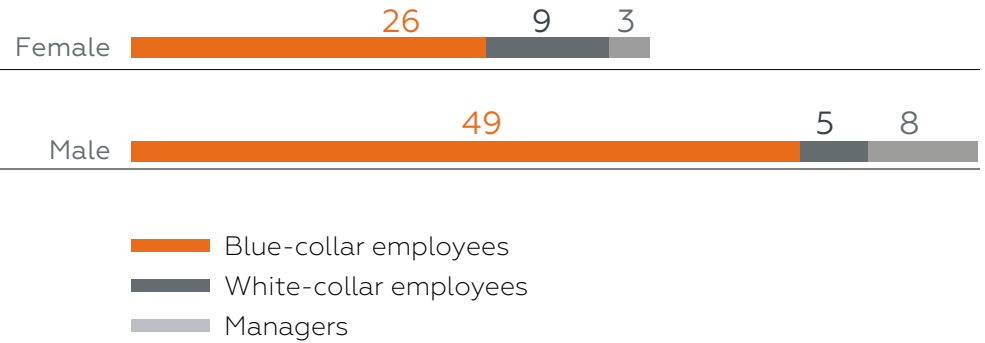
TMK’S HEADCOUNT BY DIVISION (%)



HEADCOUNT BREAKDOWN BY AGE AND CATEGORY (%)



HEADCOUNT BREAKDOWN BY CATEGORY AND GENDER (%)



The age structure of the TMK’s workforce reflects our strategic initiatives and facilitates the gradual transfer of expertise, knowledge and skills from one generation to the next, thereby ensuring effective succession for production personnel on an ongoing basis. The Company complies with all statutory requirements to headcount breakdown by gender and age.

EMPLOYEE INCENTIVES AND COMPENSATION

Corporate motivation programs and unification of the compensation system:

- In 2020, the Unified Compensation System was in place at 11 production facilities across the Russian division and covered over 31,500 employees (90% of the Company’s headcount)
- We continue implementing and developing the Motivation Programme Based on management by objectives and key performance indicators (KPIs) for management by setting KPIs aligned with the system of balanced indicators by objectives.
- TMK Russian and Romanian plants have in place a special incentive scheme for key production employees operating and maintaining pipe rolling mills.
- A new bonus system based on management by objectives and KPIs for commercial staff was developed and introduced. The programme is expected to deliver results in 2021.
- A motivation system based on project results was introduced, aimed primarily at increasing employee involvement. Unified bonus rules have already proven to be effective their efficiency.

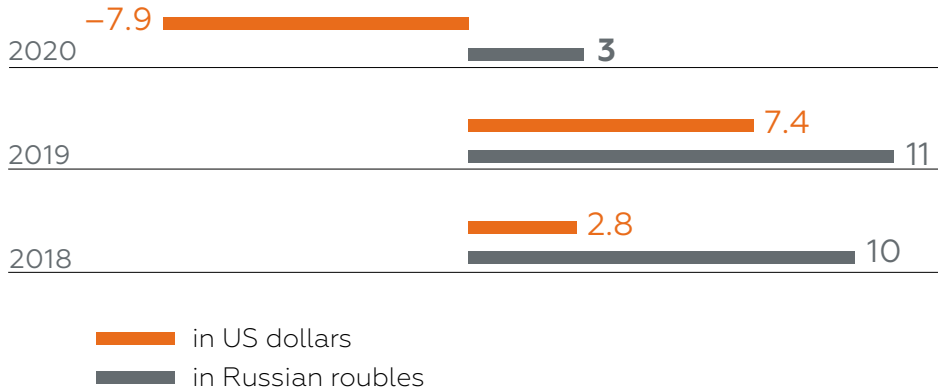
The Company’s employee incentive system is aimed at aligning the interests of shareholders, management and employees of TMK Group plants.

AVERAGE PAY AT TMK IN 2018–2020

The average pay across TMK was significantly affected by fluctuations in the financial market, in particular, changes in the Russian rouble exchange rate, lower production volumes and the sale of our American assets.

Average pay across the Company, excluding the American division, increased in roubles (up 3% year-on-year) and decreased in US dollars (down 7.9% year-on-year).

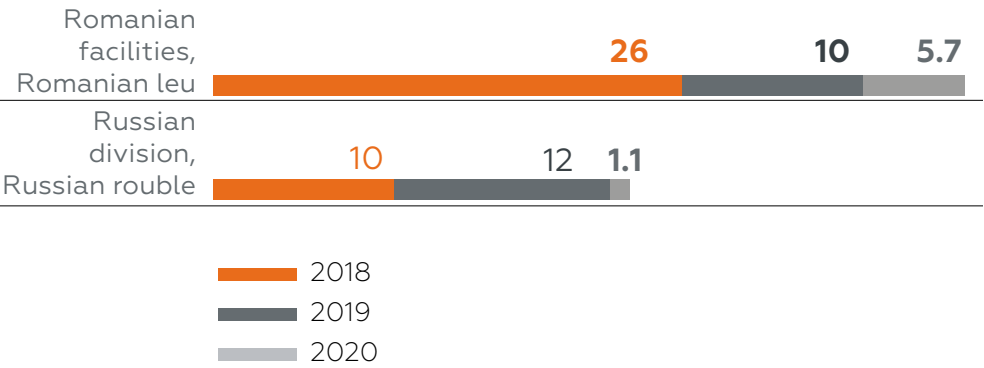
YEAR-ON-YEAR INCREASE OF AVERAGE PAY ACROSS TMK GROUP, % YEAR-ON-YEAR, EXCLUDING THE AMERICAN DIVISION



The average pay in local currency demonstrated an upward trend both in the Russian (up 1.1% year-on-year) and the European (up 5.7% year-on-year) divisions.



YEAR-ON-YEAR INCREASE OF AVERAGE PAY ACROSS TMK GROUP IN LOCAL CURRENCY, % YEAR-ON-YEAR



At any TMK entity each employee’s pay is linked to their performance. The Company offers competitive salaries to its employees across all TMK plants aligned with the financial performance of the Company’s divisions and ensures compliance with national laws, industry agreements and collective bargaining agreements as regards salary indexation.

SOCIAL PARTNERSHIP

In 2020, our representatives were actively engaged in negotiating with the Russian Mining and Metallurgical Trade Union and the Russian Metallurgists Association on the Industry Tariff Agreement for the Russian Metals and Mining Industry for 2020–2022.

New collective bargaining agreements were signed at TMK’s Romanian facilities:

TMK-ARTROM – for a term to February 2021, TMK-RESITA – for 2020–2022.

All of the Company’s facilities complied with the requirements of all applicable codes and standards, whether industry-wide or set forth by collective bargaining agreements.

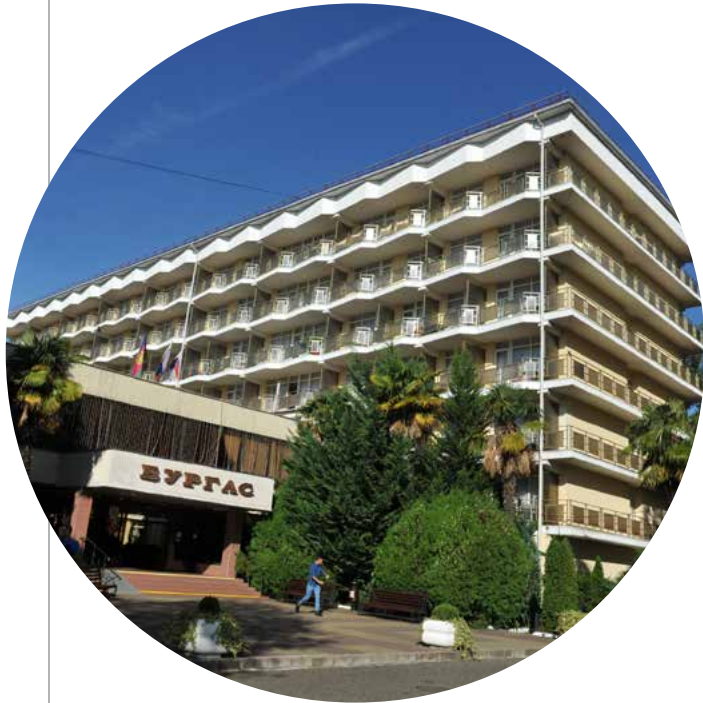
PROMOTING EMPLOYEE HEALTH

We have expanded all of TMK’s corporate recreation and health programs for the Company employees and their families in order to improve health, and offered them more leisure opportunities. However, due to the spread of the COVID-19 pandemic, health improvement activities for TMK employees were only partially implemented.

In a challenging epidemiological situation, the health of our employees is our special priority. Preventive measures are consistently carried out at all of the Company’s facilities and the health of TMK employees is monitored on an ongoing basis. In case of any signs of COVID-19, employees are tested and the Company arranges for medical care for those who fall ill. During the peak of COVID-19, we were able to shift a large number of office employees to remote work quickly, without losing efficiency. On top of that, we arranged for prompt tracking of sick people’s contact lists and were able to prevent local coronavirus outbreaks in 2020 as TMK plants maintained uninterrupted production.

We are committed to supporting employees’ physical, emotional and financial well-being, whilst also encouraging them to take to a conscientious approach to protecting their own health.

In 2020, many of our employees and their family members received health resort treatment



1,297
employees
and their family
members stayed at
Burgas Resort (Sochi)



765
employees
and their family
members stayed
at Hotel Romantic
(Arkhyz)



72
employees
and their family
members stayed
at Hotel Westend
(Mariánské Lázně,
Czech Republic)

PUBLIC RECOGNITION

In 2020

Seven Company employees received state awards:

6
people
the Distinguished
Metallurgist title

1
person
the second class Medal
of the Order For Merit
to the Fatherland

74 people received industry awards:

19
people
the Honored
Metallurgist
title

55
people
Certificate of Merit
from the Ministry

In 2020, TMK pursued its programme to award legal entities and individuals in recognition of their contribution to promoting sustainable, long-term and mutually beneficial relationships with the Company with badges and diplomas For Business Cooperation with TMK.



PENSION PROGRAM

The corporate pension programme is part of TMK’s benefit package, aimed at improving the quality of life for retired employees and motivating employees to stay with the Company and improve their performance.

EMPLOYEE DEVELOPMENT AND TRAINING

In 2020, TMK invested \$1.47 million in corporate training and career enhancement programs.

Since 2018, TMK2U Corporate University has been the main platform used by Company employees to develop their professional and business skills. The University’s headquarters are located at TMK’s R&D facility in Skolkovo while it has training grounds at all of the Company’s major production sites.

The following priority areas have been defined for TMK2U:

Establishing unified **standards of employee qualifications** and competencies across TMK’s facilities

Formalizing, unifying and facilitating **the sharing of competencies** between the businesses to ensure process sustainability

Compiling a full set of corporate professional standards factoring in the Group’s ongoing digitalization and technological innovations using uniform criteria for personnel recruitment, onboarding and training, as well as talent pool management

Improving the framework of early career guidance comprising TMK-sponsored secondary schools and colleges; contributing to programs for gifted children (the Sirius Educational Center, the Tochka Opory (Foothold) career advising project, the I’m Professional national competition, the nationwide Internships project, the national Career Night event, etc.) and promoting the latest visualization tools in career advising (gamification, animation, etc.)

Attracting gifted students of relevant higher and secondary professional education institutions through competitive selection and targeted support based on the analysis and forecast of the Company’s needs

Building a system to foster managerial skills in the Company’s leaders and identify leadership potential in younger employees

Expanding capabilities that enable the Company to manufacture high value-added products

Supporting the implementation of **investment projects** through proactive development of relevant skills

Building an **environment that fosters creativity** and **design thinking** required to develop next generation high-tech production facilities

Ensuring **succession** for the Company’s management personnel by prioritizing candidates from the talent pool when making appointments to management positions

Creating a system of regular qualification and competency assessments of the Company personnel using **diverse methods**

Ensuring a continuous proactive **training process** by employing both conventional and innovative approaches to training programme design

In partnership with public authorities, **establishing resource-based personnel training centers** (training grounds at production facilities, Skolkovo Innovation Center) based on corporate specialization and a dual education framework

Organizing and holding corporate **knowledge-building events** (the Horizons International Forum, International Scientific and Practical Conference, professional excellence contests)

Developing the intra-corporate social and knowledge-building environment through promoting the **Mobi2U** corporate social network and the **SOTA2U** online HR platform

Designing and implementing a range of events to **reinforce the visibility** and positive perception of the Company’s HR brand

Introducing bilingual **distance and multimedia learning** and assessment channels via a single interactive platform

Creating industry-specific **competency assessment** centers for qualifications relevant for the metals and mining industry

Fostering **employee engagement**

The Corporate University is a key resource for achieving the Company’s development objectives defined in our HR Strategy.

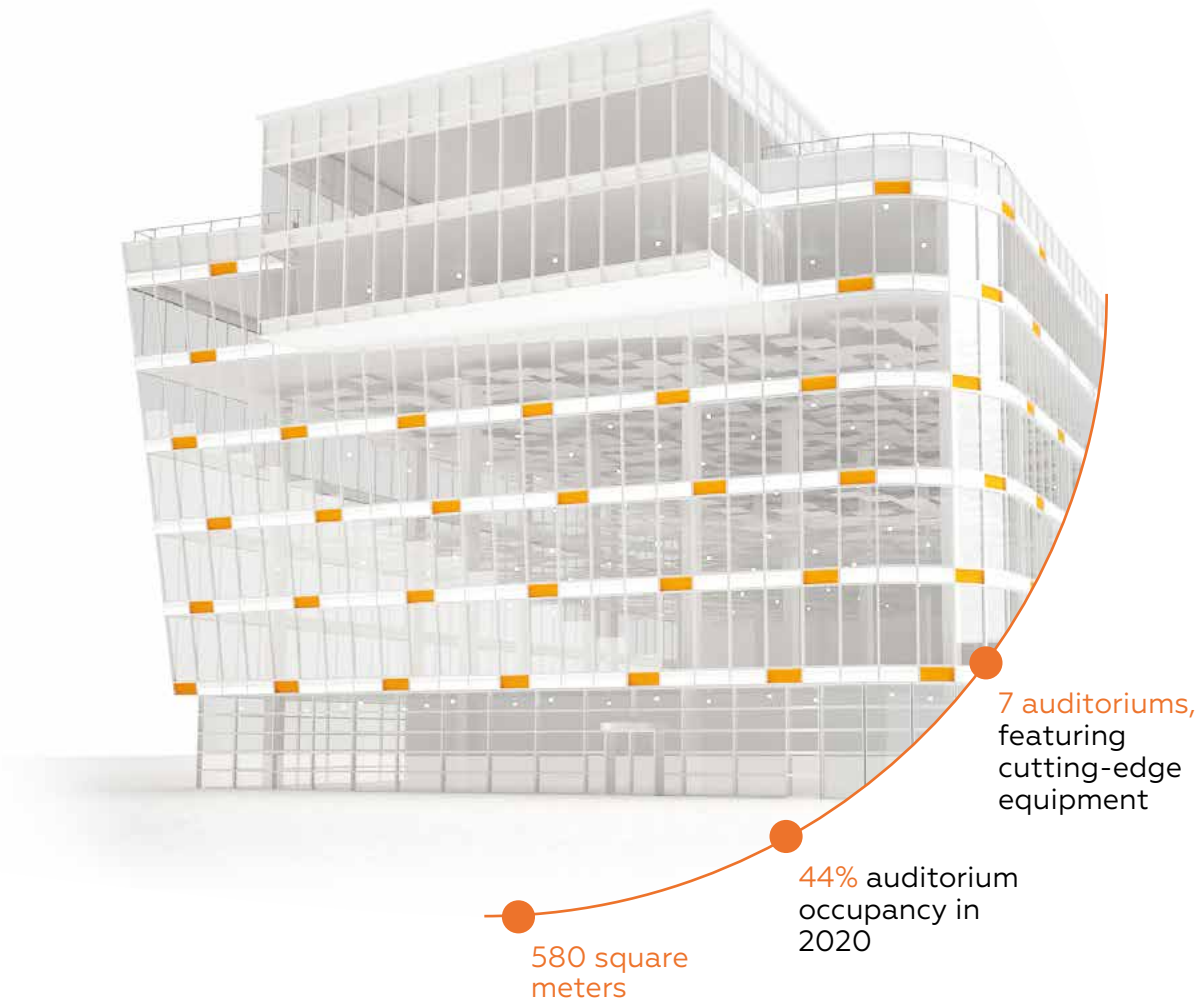
TMK2U Corporate University is core to the Company’s employee training and development system as well as its social surveys

HEADQUARTERED AT SKOLKOVO

Created in November 2017

SPECIALIZATION:

- Digital skills
- Soft skills



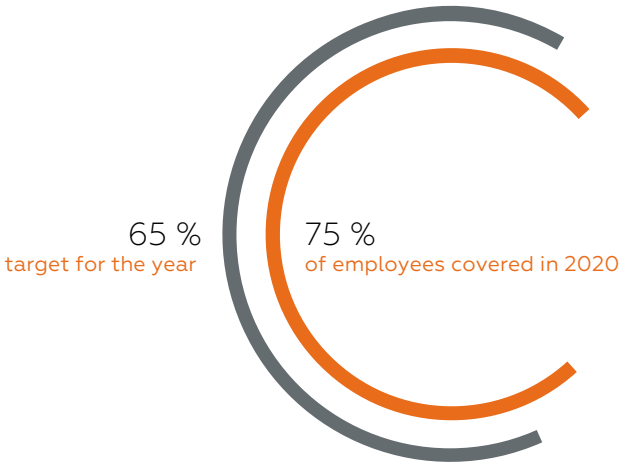
5 TRAINING GROUNDS LOCATED AT THE COMPANY’S PRODUCTION FACILITIES

SPECIALIZATION:

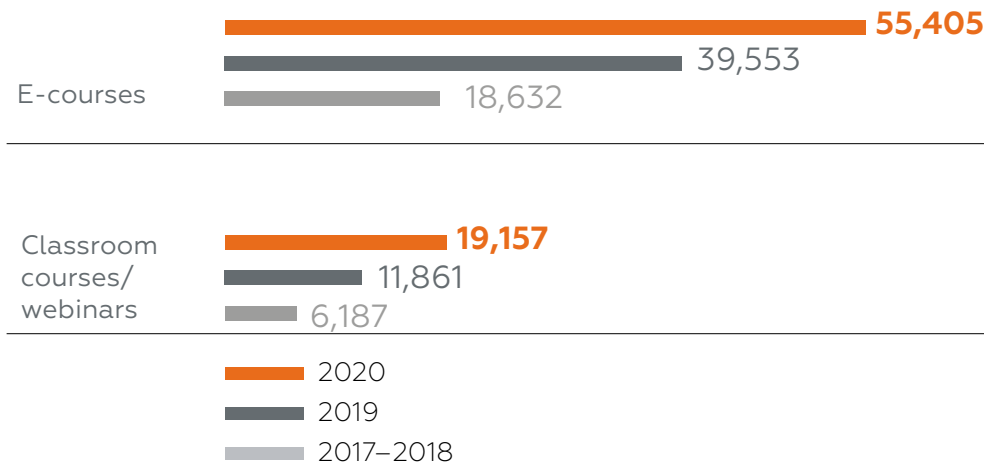
- Hard skills
- Soft skills



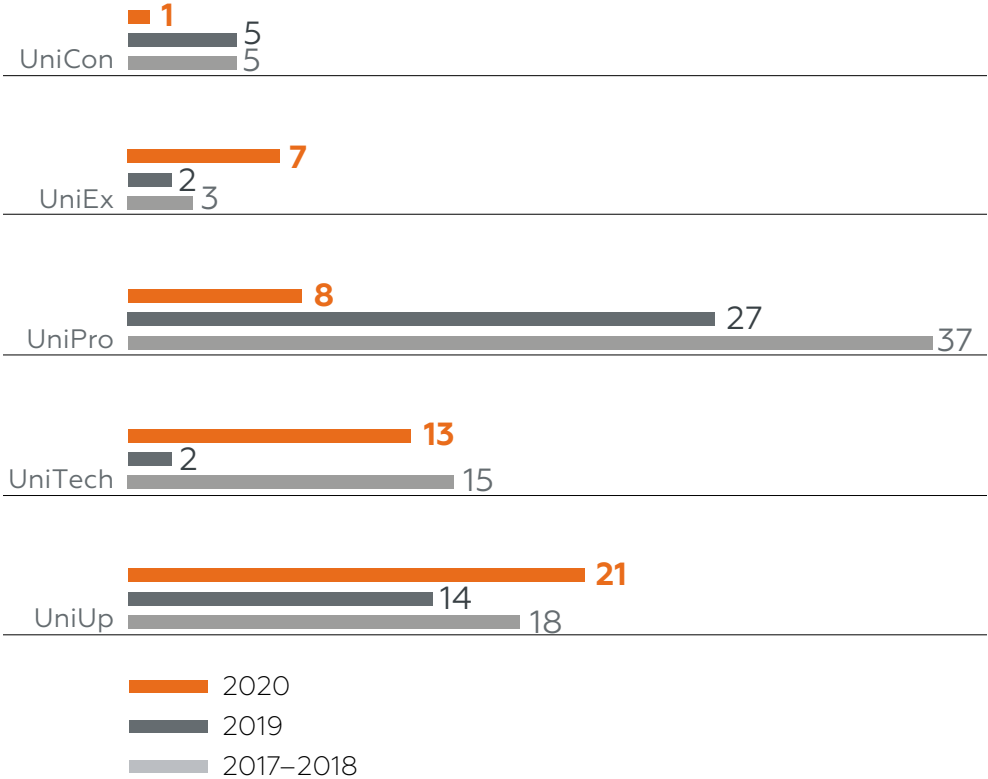
In 2019, on the initiative of TMK2U, steeluniversity launched **the steelTalks webinar series**. Speakers included top experts representing World Steel Association member companies from all over the world.



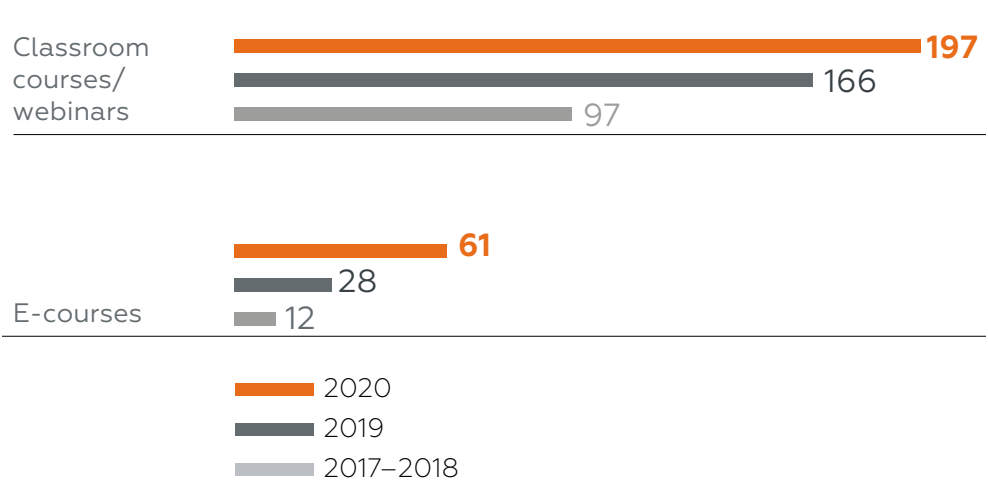
NUMBER OF PERSON-COURSES
(CLASSROOM/WEBINARS AND E-COURSES)



IN 3 YEARS, THE UNIVERSITY HAS DESIGNED
178 TRAINING PROGRAMMS IN 5 AREAS

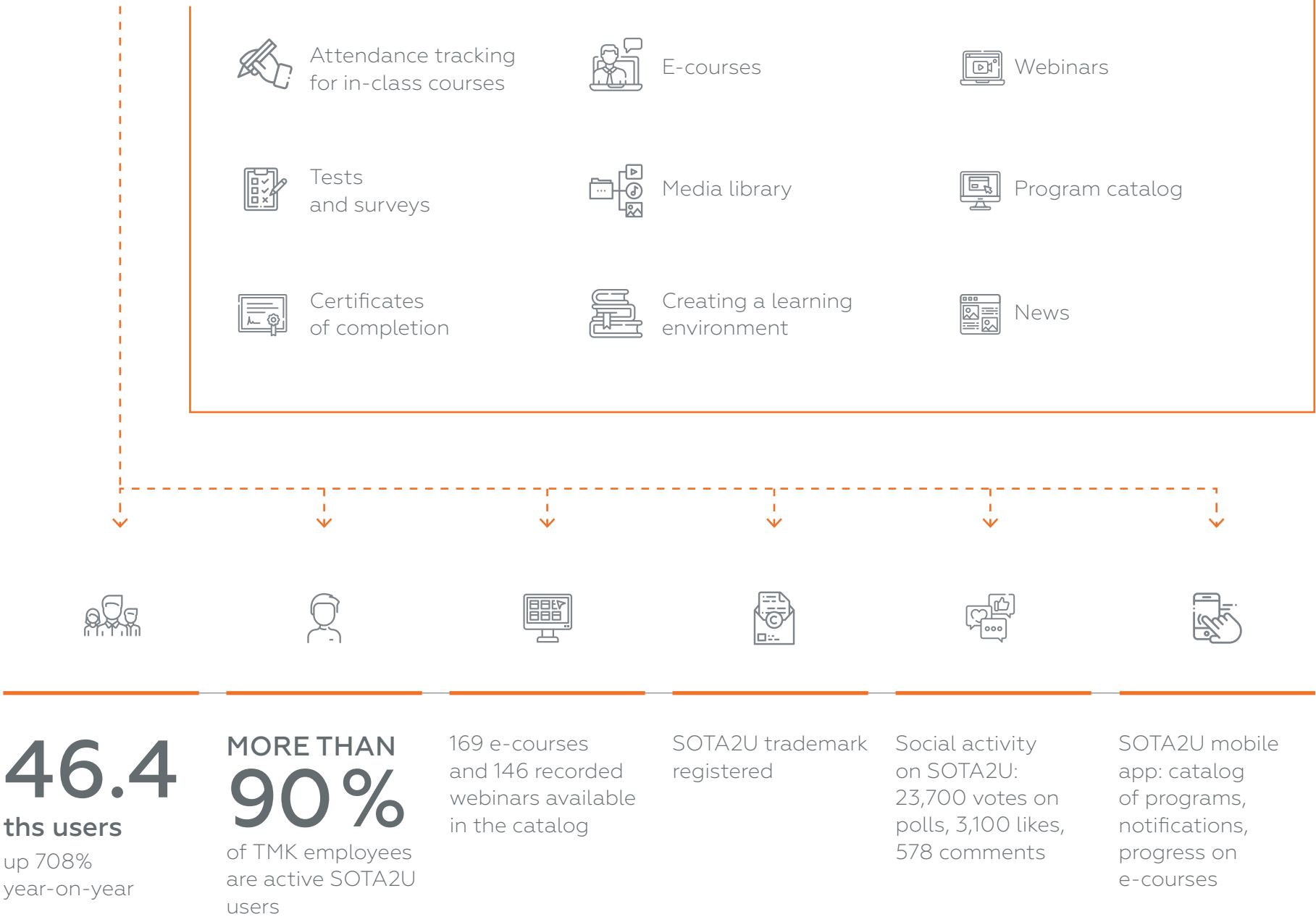


IN-CLASS COURSES AND WEBINARS HELD,
E-COURSES DEVELOPED

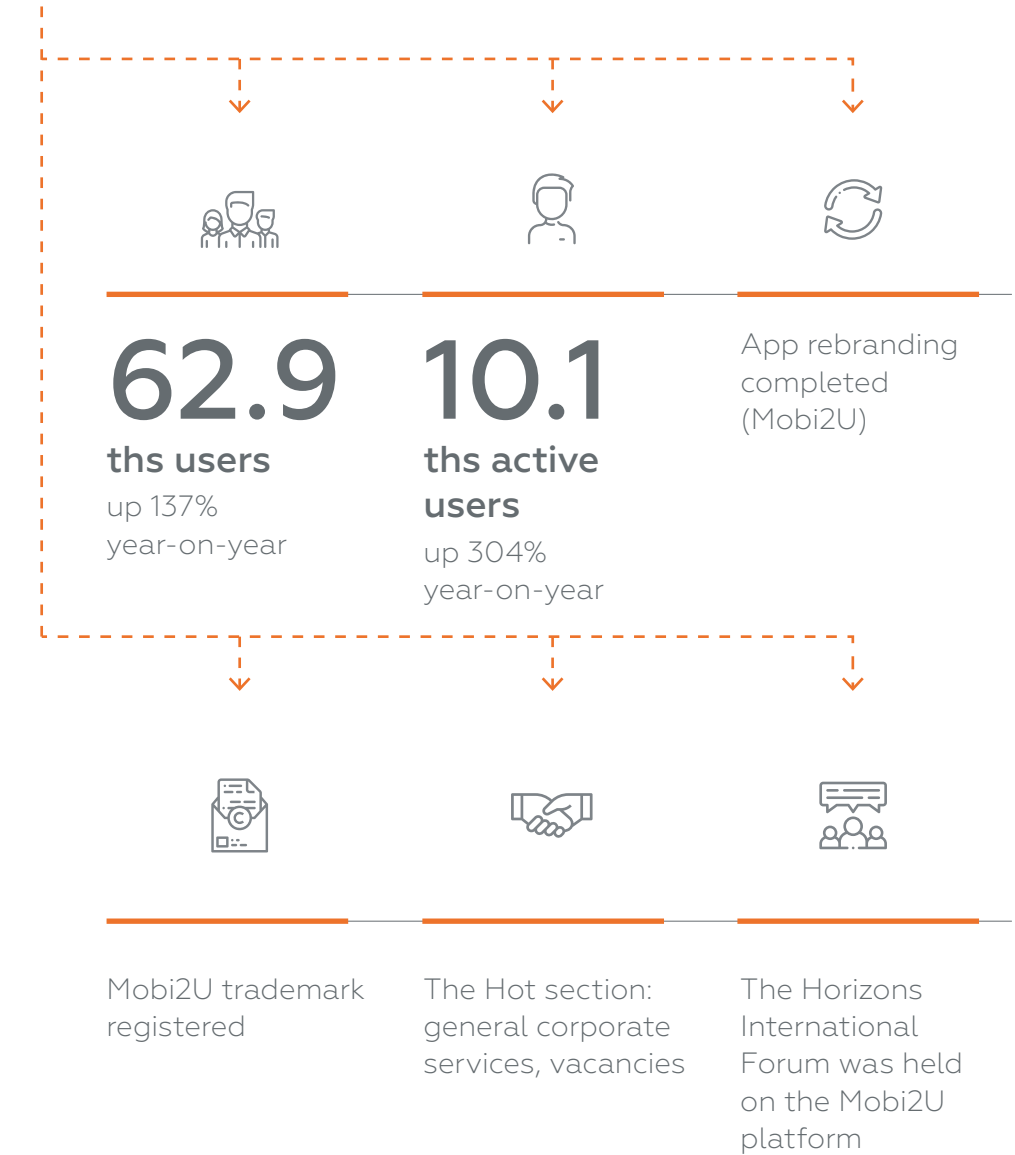


Corporate digital environment: **SOTA2U** online HR platform and **Mobi2U** mobile app

IN 2019, THE **SOTA2U** ONLINE EDUCATION PLATFORM WAS LAUNCHED




CONTINUED DEVELOPMENT OF THE **MOBI2U** MOBILE APPLICATION AS A TOOL FOR BUILDING CORPORATE CULTURE





Open2U – an open knowledge space


Open2U

The Open2U project was launched in June 2020 to give employees an opportunity to share experiences, fulfil their potential and improve skills. Anyone can join the community in SOTA2U, suggest a webinar topic and, with the help of TMK2U mentors, hold it for a wide audience.


29
webinars


20
speakers


174
community
members


3,378
webinar
participants

Registration of 2U family trademarks



Trademarks are the Company's intellectual property and are legally protected against use by third parties without our consent

Trademark registration gives a company an advantage when entering new markets and helps to build trust in potential customers

Building a culture of development

Horizons International Forum

The Forum was held online in November 2020



Event promotion through media and PR, online streaming: via the Mobi2U mobile application

Over
1,500
participants

58
events

20
sections of international
scientific and practical
conferences

2
corporate
contests

6
teams –
participating in a KVN festival

8
students
from 2 universities made
presentations at international
scientific and practical conferences

Evaluation and development



A third employee engagement survey was held

Over
2,000
employees
took part in the survey

In addition: the first in-depth engagement study in SOTA2U

Talent evaluation (mid-level) **436** 588 1,252

Talent evaluation (top-level) **69** 121 101

Personal development plans (mid-level) **207** 356 1,009

Personal development plans (top-level) **52** 75 52



4 evaluation sessions were held to select candidates for the Management Talent Pool

69
employees
passed evaluation tests

Appointments from the talent-pool **146** 241 250

2020
2019
2018

21 apprenticeships were arranged (before COVID-19 restrictions)

6 trade-specific tests were developed, 3 are underway

A mentoring program for senior management was introduced

Based on the developed methodology, a corporate-wide certification of TMK Group employees started

Internal customer focus level was assessed at SOTA2U, involving 127 assessed employees and over 1,200 assessors

A pool of 22 internal assessors has been established

Career guidance

I'm Professional 2020

TMK2U is a co-organizer of Ural Federal University's Winter School

263

students attended the Winter School in Sochi

Apprenticeships 2.0

30

participants in TMK projects in 2020

Career guidance classes

203

classes held in 2020

Career Time online campaign
(job fair, the Engineering Reconstruction project, Golden Internship contest)

Over
60,000
participants nationwide

National Open House Day

17

excursions in 2020

Automation and robotic process automation in HR

ROBOTIC
PROCESS AUTOMATION (RPA)

9
robots

TMK2U has developed 8 robots for internal use

An HR robot was successfully piloted

Savings from introducing an HR robot are estimated at

4,000
person-hours

300
person-hours
were saved in 2020

Examples of
processes



Mailing of letters



Assigning surveys in SOTA2U



Developing professional discipline tests in SOTA2U

AUTOMATION
WITH POWER QUERY
AND VISUAL BASIC MACROS
IN EXCEL

More than
10
processes
automated

More than
2,500
person-hours

Automation measures in 2020 will enable annual savings of more than 2,500 person-hours

Examples of
processes



Follow-up reporting on Automated Tutoring Systems after training is complete



Automating recruitment tests



Automating distance learning and adaptation reports

OCCUPATIONAL HEALTH AND SAFETY

PURPOSE

Ensure safe working conditions at all TMK enterprises for each employee and full employee compliance with occupational health and safety requirements.

Zero injuries is a key goal of the Company's 2027 development strategy.

GOVERNING REGULATIONS

- Occupational Health and Industrial Safety Policy and Industrial Safety Policy
- OHSAS 18001 – Occupational Health and Safety Management System
- Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities
- Occupational health and safety management system, including internal procedures aligned with applicable laws and international standards



**Occupational Health
and Industrial Safety
Policy**



**Industrial Safety
Policy**

ORGANIZATION

Technical Director is responsible for organizing activities and achieving occupational safety targets at all TMK entities, with their KPIs including occupational health and industrial safety metrics. The occupational health and safety management system in place at all the Company's enterprises includes regular assessment of occupational risks, special assessment of working conditions, workplace microclimate control measures, monitoring employee health, training and certifying employees in occupational health and safety.

CONTROL

The Board of Directors, TMK's executive management, Technical Director jointly with facility management.



TMK enterprises have been successfully certified to ISO 45001:2018



100% of production sites took part in Steel Safety Day 2020



LTIFR reduced to 0.21, hitting 4-year lows



Accident frequency rate decreased by 28%



The number of severe workplace injuries decreased by 25%



Emergency-free production



Decreasing number and frequency of accidents and the lost workday rate

TRAINING AND EDUCATION

OHS training at the Company meets the requirements of Russian federal laws and regulations on occupational health and safety. TMK2U Corporate University, in cooperation with the management company's Occupational Health Department:

- started training in Occupational Health and Safety for Managers and Specialists, First Aid, and Minimum Fire Technical Standards programs, involving external experts, for 230 employees of the management company
- develops a range of unique e-learning courses in Occupational Health and Safety for Managers and Specialists, Induction Briefing, Minimum Fire Technical Standards, Fire Safety Training, Training to Assign Group 1 on Electrical Safety to Non-Electrical Personnel, Occupational Risk Management. These programs are mandatory for all the Company employees
- regularly updates all developed courses in line with new statutory requirements to occupational health and safety.

In addition to mandatory training, TMK also provides training programmes and takes measures to improve the safety culture, personnel qualifications and competencies in occupational safety. For example, TMK2U Corporate University regularly offers e-learning courses, webinars and lectures on occupational health and technosphere safety, which were attended by 802 people in 2020.

The training extensively uses digital technology – for instance, Volzhsky Pipe Plant has a Steel Safety Room, demonstrating on a large screen production sites, hazards and occupational health techniques.

Volzhsky Pipe Plant also has a quest room with artificially created safety breaches. The employee in the room should identify and explain these breaches.

Supported by the corporate communications function and the corporate media, the Company actively promotes occupational safety, including engaging employees in occupational health and safety events and informing on preparing to, and holding of, Steel Safety Day.

Pursuant to the Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities approved by the CEO's directive, TMK holds a competition to select the organization with the best OHS performance, with Sinarsky Pipe Plant named the winner in 2020.



RISK IDENTIFICATION AND SAFE ENVIRONMENT

All TMK Group entities apply a risk-based approach and regularly review their occupational health and safety requirements in place, which are mandatory for all employees.

The key to improving safety is employee engagement. To date, about 80% of TMK Group employees are involved in identifying and eliminating risks. In February 2020, enterprises introduced hazard maps, which were drawn up with the help of employees. Hazard maps present a list of workplace hazards where risks cannot be completely eliminated, but can be controlled. During the year, the Company held briefings to employees on safety precautions based on the risks identified, and installed barriers and other security equipment to ensure maximum injury protection.

The enterprises continuously monitor the working environment as per schedules, which enables real-time employee risk assessment and prompt organizational and technical measures to eliminate or reduce the impact of risks.

In line with tradition, all TMK Group production facilities as well as contractor employees took part in Steel Safety Day 2020. The results were summarized in October 2020 instead of the World Day for Safety and Health at Work on April 28 due to the COVID-19 pandemic and submitted to the World Steel Association. During the year, the Company followed the plan to eliminate or mitigate the identified safety risks. All of the plan’s activities are running to schedule.

TMK’S PARTICIPATION IN STEEL SAFETY DAYS

Participants	2018	2019	2020
TMK employees	35,518	35,962	31,821 ¹
Including safety auditors, %	81	81	83
Contractor employees	6,924	7,350	7,611

In 2020, RUB 770 million was allocated to occupational health and safety, up 30% year-on-year.

THE MOST SIGNIFICANT ACTIVITIES TO ENHANCE OCCUPATIONAL SAFETY AT THE GROUP ENTITIES INCLUDE

- certification to ISO 45001
- pilot corporate electronic health check system at TAGMET launched in 2019. Digital tools enable automated health screening to identify alcohol and drug use. During the year, “Electronic” health checks were rolled out to four more TMK plants: Seversky Pipe Plant, Volzhsky Pipe Plant, Sinarsky Pipe Plant and Orsky Machine Building Plant
- targeted inspections to mitigate safety risks related to moving parts and machinery
- targeted inspections and follow-up installation of barriers and lockouts to prevent entry into areas with operating equipment
- firefighting equipment serviceability checks in October and December 2020

¹ The number of participating employees decreased due to the sale of the American division.

- further rolling out best practices at enterprises, including in process digitization:
 - Participation in BIOT (Safety and Labor Protection) interactive exhibition
 - Exchange of best practices in occupational health and safety between heads of technical services and departments of TMK’s Russian division, representatives of United Metallurgical Company (OMK), Chelpipe Group, the State Labor Inspectorate of the Volgograd Region, and the Nizhne-Volzhsky Department of the Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor)
 - Online meetings with heads of OHS organizations, including meeting dedicated to implementing digital technologies
 - Participation in expert groups of the Russian Union of Industrialists and Entrepreneurs (RSPP) to improve applicable health and safety laws under the governmental regulatory guillotine policy
- installation of video surveillance at enterprises to ensure compliance with safety requirements and assist in accident investigations.

ENSURING EMPLOYEE HEALTH AND SAFETY DURING THE COVID-19 PANDEMIC

Throughout 2020, TMK strictly complied with the recommendations of federal and regional authorities and the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) to enforce hygiene safety and prevent the spread of COVID-19 at the Group’s production sites and offices.

The following measures were implemented during the reporting period:

- Floor markings to mark out social distancing of 1.5–2 meters
- One-way flows through the Group’s buildings and sites
- Mandatory use of provided protective equipment (respirators and hand protection) at all the Group’s premises

- Hand sanitizers to disinfect hands
- Thermal imaging cameras to screen body temperature at entrances to buildings, body temperature measurements during the day using digital thermometers
- Regular disinfection and installation of germicidal lamps in rooms
- Discouraging trips within buildings, face-to-face contacts, meetings in person; moving meetings and events online
- Partially shifting the Company employees to remote work, creating cross-platform mobile workspaces that are managed remotely
- Cancelling or postponing mass business, sporting and cultural events, banning business trips abroad
- Changing work and rest schedules (setting individual schedules, changing shift patterns) to minimize congestion in offices and reception areas
- Setting a timetable for visiting canteens and coffee shops
- Banning external meal delivery to offices
- All employees are strongly advised to self-isolate and follow other measures to counter the spread of COVID-19 as required by regional authorities.

PERFORMANCE INDICATORS

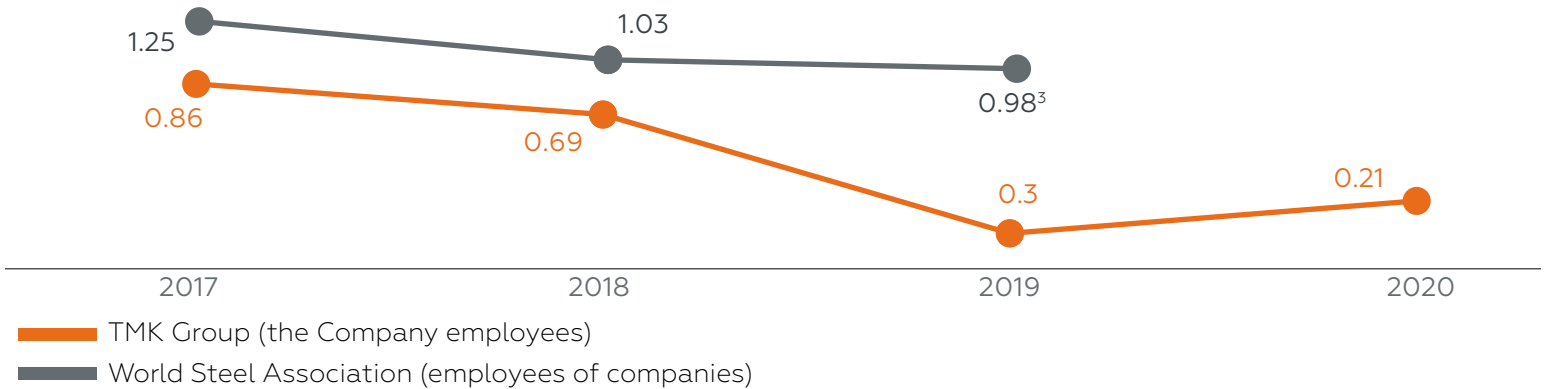
ACROSS TMK GROUP, EXCLUDING THE AMERICAN DIVISION¹

Indicator	2018	2019	2020
Accidents	23	17	12
including fatalities	0	0	1
Frequency rate	0.68	0.5	0.36
Severity rate	75.7	89.4	89.0
Lost workday rate (LWR = FR x SR)	51.5	44.7	32.4

RUSSIAN DIVISION

Indicator	2018	2019	2020
Accidents	20	16	12
including fatalities	0	0	1
Frequency rate	0.63	0.51	0.38
Severity rate	70.8	87.4	89.0
Lost workday rate (LWR = FR x SR)	44.6	44.5	33.9

LOST TIME INJURY FREQUENCY RATE (LTIFR) AT TMK GROUP AGAINST THE AVERAGE BENCHMARK OF THE WORLD STEEL ASSOCIATION²



¹ TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc. in January 2020, deconsolidating the American division.
² The calculations used the following formulas: $LTIFR = N \times 1,000,000 / T$, where N is the number of lost time injuries, T is the number of person-hours worked.
³ Latest World Steel Association data available as at the date of this Report.
The calculations used the following formulas: $FR = \text{number of accidents} \times 1,000 / \text{number of employees}$; $SR = \text{number of lost workdays} / \text{number of accidents}$.

EUROPEAN DIVISION

Indicator	2018	2019	2020
Accidents	3	1	0
including fatalities	0	0	0
Frequency rate	1.33	0.87	0.0
Severity rate	108.3	14.5	0.0
Lost workday rate (LWR = FR x SR)	144.0	12.6	0.0

In 2020, the Company's injury metrics have improved.

LTIFR reduced to 0.21, hitting 4-year lows, the accident frequency rate decreased by 28% year-on-year, the number of severe cases by 25% year-on-year, and the lost workday rate by 25.8% year-on-year. The Company's management pays close attention to health of employees injured in accidents, monitoring their treatment, state and the quality of treatment.

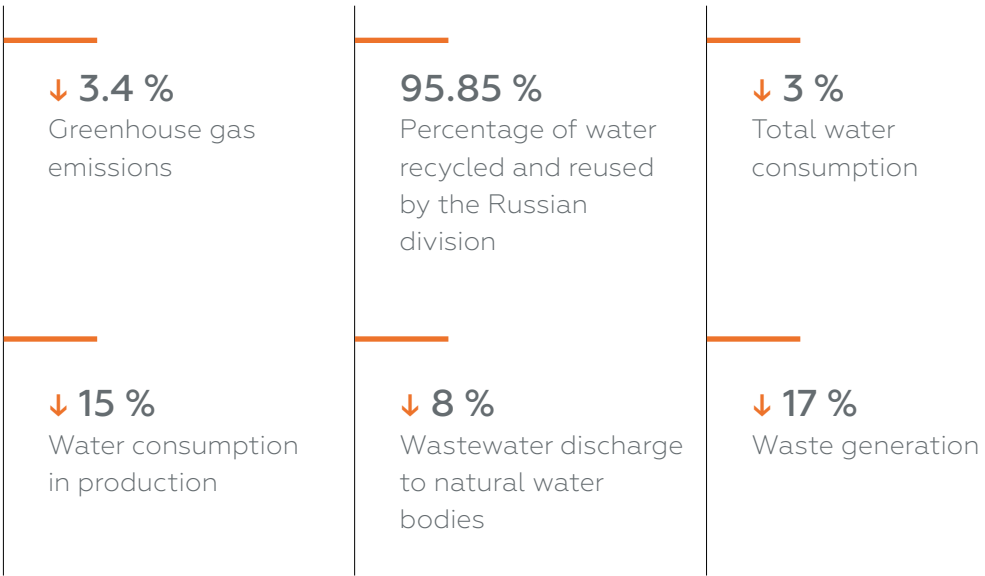
The Company deeply regrets to report that one fatality was recorded at Volzhsky Pipe Plant in 2020. The incident was investigated to identify the causes, and measures were taken to prevent such incidents in the future.

2021 PLANS:

- Digitization of occupational health and industrial safety services
- Integration of new companies joining TMK Group

ENVIRONMENTAL MANAGEMENT

TMK'S 2020 ENVIRONMENTAL PERFORMANCE HIGHLIGHTS



PURPOSE

Minimize environmental footprint, preserve and improve the environment in operating regions in the context of dynamically growing production.

GOVERNING REGULATIONS

- Environmental laws
- Environmental Policy of TMK Group was updated in 2019
- TMK Group's Environmental Policy Implementation Framework
- ISO 14001:2015 – Environmental management systems

9
of the Company's
plants
confirmed their compliance
with ISO 14001:2015

2.3
RUB bln –
environmental expenditures
totaled

22
investment projects



Environmental Policy
of TMK Group

ORGANIZATION

TMK's Technical Director organizes environmental protection activities and monitors performance against targets. The Chief Environmental Engineer – Head of the Department of Efficiency of Industrial Ecology is responsible for day-to-day management, planning and environmental reporting at the Group level. At the facility level, The Technical Director/Chief Engineer is responsible for environmental protection. Actual environmental protection activities are conducted by specialized units – environmental services. Accredited environmental laboratories control industrial ecology as regards (instrumental) measurements for environmental analysis.

APPROACH:

- Applying a risk-based approach to environmental matters when making strategic management decisions about planned and current operations
- Using the best available technologies to minimize environmental footprint
- Optimizing and improving production and process operations with a focus on resource efficiency and minimization of environmental footprint across different aspects
- Improving the system of efficient industrial waste management
- Continuously improving the Company's environmental performance and the relevant management system
- Building a trust-based dialogue with internal and external stakeholders.

CONTROL

TMK's Board of Directors; supervisory bodies.

Over
2,400
employees of the Company
received environmental trainings
and briefings

TMK ranked among
30
most environmentally friendly
companies in Russia and was
the leader among Russian
steelmakers according to Forbes
magazine

ENVIRONMENTAL MANAGEMENT SYSTEM

FOCUS:

continuous improvement of environmental management.

The Company continuously improves its environmental management system so that an objective assessment is made of potential environmental risks in production operations, and the Group can implement measures to prevent or minimize their negative impact.

Environmental planning is based on set targets related to the protection of land, water and air, which enables TMK Group companies to ensure the compliance of their operations with the requirements of environmental laws and to continuously improve their environmental performance.

The Company recognizes, and complies with, ISO 14001:2015 – Environmental management systems – Requirements with guidance for use. In 2020, nine of the Company’s plants passed surveillance audits to confirm the compliance of their certified environmental management system with ISO 14001:2015.

ENVIRONMENTAL EDUCATION AND TRAINING

FOCUS:

high level of environmental responsibility and competence of staff, personal contribution to environmental management system performance.

In 2020, over 2,400 employees completed environmental training, were upskilled or received environmental protection briefings.

Main areas for personnel training:

- Environmental management system
- Environmental safety
- Permission to handle waste of hazard categories 1 to 5

Those TMK employees who are interested in the basics of environmental legislation and the environmental aspects of TMK Group’s operations have the option of taking the Ecology for Nonecologists course in TMK’s TMK2U Corporate University.

Company experts actively participate in environmental workshops, conferences and other events held by government bodies or relevant educational institutions.

The Company’s facilities also provide environmental safety briefings to its contractors.

TMK also runs environmental initiatives, tours, open lessons and lectures for school and university students to improve environmental awareness in its operating regions.



FINANCING ENVIRONMENTAL PROTECTION
ACTIVITIES

FOCUS:

consistent reduction of the man-made environmental footprint, including the introduction of advanced technologies and the development of environmentally-oriented processes.

By financing environmental initiatives, TMK plants ensure the achievement of the Company’s targets and compliance with the local environmental laws, standards and regulations. Our priority is the gradual decommissioning of obsolete equipment and installation of modern, environmentally friendly equipment at production facilities.

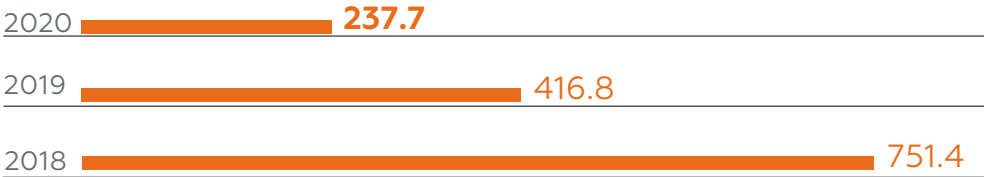
TMK allocates significant funds to implement projects and measures aimed at environmental protection and stewardship every year. In 2020, total environmental expenditures amounted to RUB 2,314.5 million, including environmental investments of RUB 237.7 million. The decrease in investment in 2020 was due to the completion of major investment projects – in particular, the construction of a treatment complex including a water treatment facility with water recycling at Seversky Pipe Plant’s Heat Treatment Facility No. 3, commissioned in early 2020.

Environmental projects are a key component of the Company’s development programs, including our current strategic investment program.

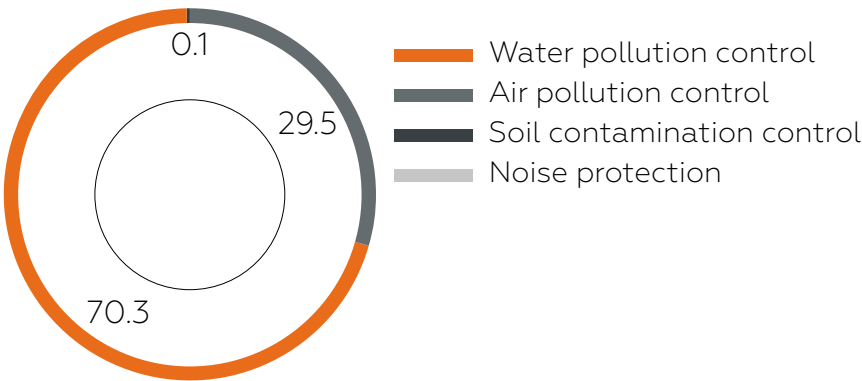
TMK’S TOTAL ENVIRONMENTAL EXPENDITURES, RUB MLN



TMK’S ENVIRONMENTAL INVESTMENTS, RUB MLN



TMK’S ENVIRONMENTAL EXPENDITURES IN 2020 BY ITEM, %



During the year, 22 capex projects were completed, focused primarily on **ambient air protection**.

In 2020, TMK’s CEO approved the **Environmental Performance Improvement Programme for 2021–2023**, aimed primarily at getting ready to obtain a comprehensive environmental permit by improving the environmental performance of the Group’s key plants. The programme envisages the implementation of 24 activities with an investment of about RUB 1.3 billion.

The key objectives of the programme are to:

- reduce air emissions
- improve technologies and modify equipment
- reduce the volume of contaminated wastewater discharge
- reduce the amount of water used
- improve the waste management system, and in particular ensure the safe storage of waste, introducing advanced technologies for treatment and disposal of hazardous waste
- comply with environmental laws
- prevent environmental damage.



Key capex projects in 2020

At Seversky Pipe Plant:

- Installation of a MAPEKO casting ladle preheater with a system for «soft drying» and gas burning inside the ladle
- Upgrade of the gas-cleaning unit of Lime Kiln No. 1

At Volzhsky Pipe Plant:

- the water recycling system equipment was upgraded.

At Sinarsky Pipe Plant:

- upgrade of the treatment facility was launched.

At TAGMET:

- the installation of a noise screen on the buffer zone boundary was initiated.

At Sinarsky Pipe Plant’s CHP plant:

- the retrofit of Exhaust Pipe No. 2 was completed.

At TMK-RESITA S.A.:

- a roof was installed over the hot slag discharge area.

KEY ASPECTS OF TMK’S ENVIRONMENTAL
ACTIVITIES

AMBIENT AIR PROTECTION

FOCUS:

continuous air quality improvement in production hosting areas.

TMK’s facilities comply with the legislation covering air emissions inventory, regulation and control, as well as operations in adverse weather conditions. Our emissions control activities ensure compliance with the prescribed air emissions limits.



Key initiatives
to reduce air emissions
at TMK’s facilities

Installation of modern dust and
gas removal equipment

Air emissions control in adverse
weather conditions

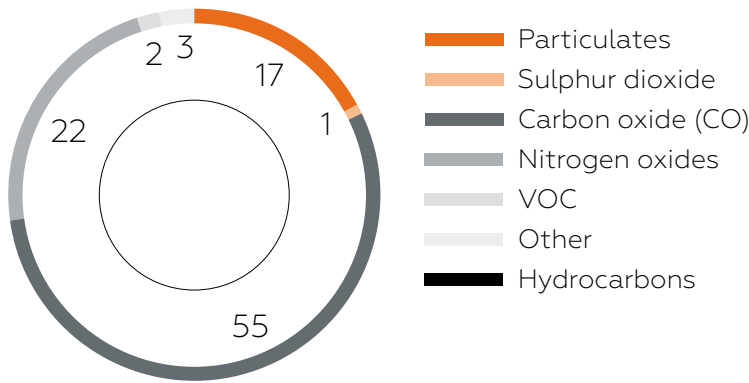
Ensuring the effectiveness of gas
cleaning units

Containing, redirecting and
cleaning dust and gas flows

In 2020, total air emissions amounted to 12.8 thousand tonnes of pollutants. Carbon oxide (CO) emissions from fuel combustion in production processes accounted for the largest part of total emissions (55%). In the reporting period, the Company complied with emission standards without any emergency or peak emissions.



EMISSION POLLUTANTS (%)



In order to reduce pollutant emissions into the ambient air, the Company took a number of measures to ensure efficient pollutant removal, control emissions in adverse weather conditions, as well as contain, redirect, and clean dust and gas flows at centralized facilities.

Key activities in 2020:

at Volzhsky Pipe Plant:

- Components of the aspiration unit of the EAF shop were upgraded
- Filters in the EAF’s gas cleaning system were replaced (12 thousand filters in total)

At Seversky Pipe Plant:

- The aspiration system of the crushing and screening plant is being upgraded

At TAGMET:

- Components of the dust and gas cleaning system of the vacuum degassing unit were upgraded
- Filters in the EAF’s gas cleaning system were replaced

At TMK-ARTROM S.A.:

- A rotary hearth furnace was repaired and flue gas volumes were optimized

CLIMATE RESPONSIBILITY

FOCUS:

support of Russian and international initiatives to prevent climate change.

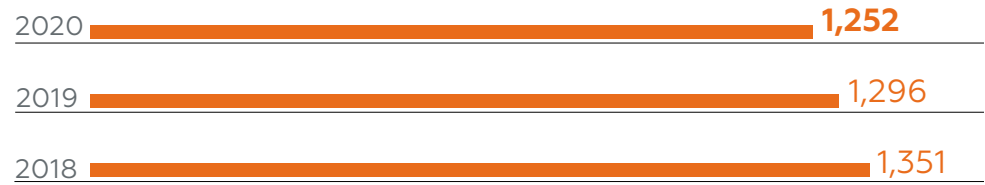
TMK considers carbon footprint when defining its development strategy, with the carbon agenda incorporated into risk management and business processes.

GHG emissions are calculated on an annual basis. GHG emissions in the Russian division are calculated in accordance with the Methodology Recommendations and Guidelines for Quantitative Determination of Greenhouse Gas Emissions from Organizations Conducting Economic and Other Activities in the Russian Federation approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated June 30, 2015.

The European division entities comply with local carbon laws and submit GHG emission verification reports and monitoring plans to supervisory bodies in due time.

TMK is implementing **a Programme to Improve Energy Efficiency and Fuel and Energy Saving**, optimizing operations and improving process solutions, specifically through use of alternative carbon-containing materials and improvement of heating elements in core process equipment. As a result, total weight of GHG emissions decreased by 3.4% year-on-year in 2020. **Direct GHG emissions in 2020 totaled 1.25 mln tonnes of CO₂ equivalent.**

GHG EMISSIONS, MLN TONNES OF CO₂ EQUIVALENT




PROTECTION AND SUSTAINABLE USE OF WATER

FOCUS:

reduction of water consumption and negative impact on water bodies.

Subject to permits, TMK’s facilities abstract water from surface and underground sources to supply water for production, general and drinking, and process use, as well as public needs.

Water reuse or recycling is a mandatory requirement for commissioning any of TMK’s new, upgraded or revamped facilities. In 2020, the volume of recycled or reused water totaled 480 million m³. Percentage of water recycled and reused by TMK’s Russian plants stood at 95.85%. The high percentage of reused and recycled water reduces water withdrawal and wastewater discharge.

	Key initiatives to mitigate negative impact on water bodies at TMK facilities	Building and upgrading treatment facilities
		Organizational measures to prevent spills, leaks, and unsustainable use of water
		Building and enhancing water recycling and reuse systems

During the year, measures were implemented to ensure compliance with regulatory requirements and improve qualitative and quantitative indicators for effluents; to optimize fresh water consumption used in core production processes (steelmaking and pipe production); and enhance monitoring of water consumption and water disposal, etc.

TMK’S OVERALL WATER CONSUMPTION, MLN M³



TMK’S TOTAL WASTEWATER, MLN M³



TMK’S WATER DISCHARGE TO SURFACE WATER BODIES, THOUSAND M³



TMK’S POLLUTANT DISCHARGE TO WATER BODIES, THOUSAND TONNES



Progress vs. 2019:

- 3% decrease in total water consumption
- 15% reduction in water consumption in production
- 8% decrease in wastewater discharge to natural water bodies
- 5% decrease in pollutant discharge to water bodies

The success of our sustainable water use efforts is demonstrated by the positive changes in TMK Group’s water consumption.

Key activities in 2020:

At Volzhsky Pipe Plant:

- above-ground and underground tanks of Pipe Rolling Shop No. 3 were cleaned from sludge containing petroleum products, generated by mechanical treatment of oily wastewater

At Sinarsky Pipe Plant:

- a set of technical (equipment repair, cleaning and upgrade) and organisational measures was implemented, which helped reduce fresh water consumption, significantly reduce wastewater disposal and the discharge of petroleum products and solids

At Seversky Pipe Plant:

- The reconstruction of the aeration station and biological treatment plant is underway
- The upgrade of the Mayak filtering facility continues
- Fish protection devices were installed on the Chusovaya River.

At TAGMET:

- Fish protection devices were repaired and cleaned; negative impact on aquatic biological resources was prevented
- Russian sturgeon was artificially reproduced by releasing 25,242 fingerlings

At TMK-INOX:

- a prevention programme is in place to prevent coolant leaks into the sewage system

WASTE MANAGEMENT

FOCUS:

prevention of land contamination by reducing waste generation and minimizing waste disposal into the environment.

The main measures implemented by TMK are aimed at reducing waste generation, reusing waste, and minimizing the amount of waste disposal into the environment.

Our waste management aligns with approved industrial guidelines and standards in place at TMK facilities, which set up a recycling system and practice waste sorting. Volzhsky Pipe Plant and Seversky Pipe Plant developed and rolled out specialized industrial waste management software solutions. Our waste disposal and temporary storage sites are subject to industrial environmental monitoring.

Environmental programs aiming to increase waste recycling and reduce waste landfilling achieved good results: **91% of total waste generated by production processes** (515 thousand tonnes in 2020, of which 98.3% was practically non-hazardous and low-hazardous) **are used, treated and recycled.**

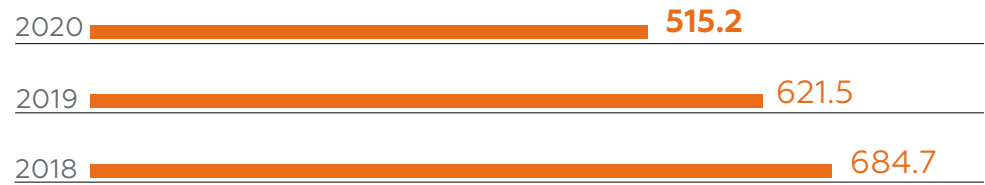
Key results of TMK’s consistent environmental activities in 2020:

- Total waste decreased by 17%
- Waste disposed of at our own facilities decreased by 3%

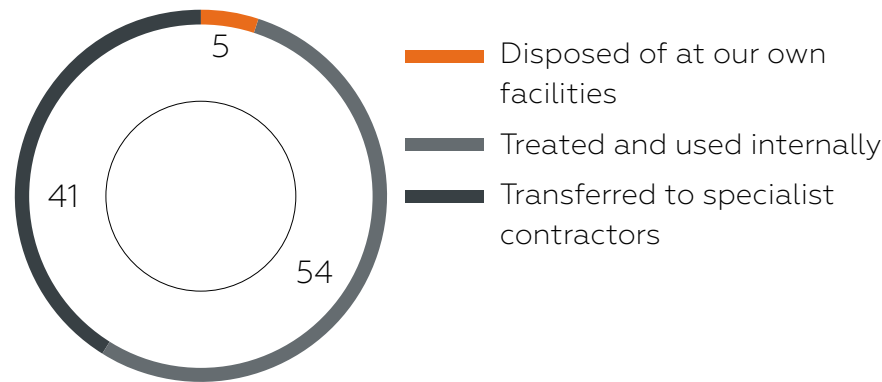
Waste is managed in accordance with approved instructions and corporate standards. Our waste disposal and temporary storage sites are subject to industrial environmental monitoring.

TMK contributes to the government’s efforts to fulfil Russia’s obligations under the Stockholm Convention on Persistent Organic Pollutants. Since 2017, the Company has had in place a Programme for Disposal of PCB-Containing Equipment (equipment containing polychlorinated biphenyls). Since the launch of the Program, TMK has decommissioned and transferred for treatment a total of 1,723 pieces of PCB-containing electrical equipment (transformers and condensers).

WASTE GENERATION IN 2018–2020, THOUSAND TONNES



WASTE MANAGEMENT IN 2020, %



The following activities are carried out at all enterprises:

- Decommissioning of PCB-containing equipment
- Replacement of mercury-containing fluorescent lamps with LED lamps
- Separate collection of generated waste by type to ensure its recycling, sale, treatment and landfilling

ENVIRONMENTAL AND INDUSTRIAL MONITORING

FOCUS:

continuous monitoring of environmental impacts.

TMK facilities have in place a multi-stage industrial environmental control system. To enable prompt analysis, all of the Russian division’s plants use their own certified chemical laboratories featuring the necessary state-of-the-art equipment. In accordance with accreditation requirements, environmental laboratories participate in interlaboratory comparisons for experimental confirmation of their proficiency. During the year, 198 thousand analyses were carried out.

Sampling and analysis of components outside the scope of accreditation of in-house laboratories are carried out by independent Centers for Laboratory Analysis and Technical Measurements.

Objects of industrial monitoring:

- Pollutant emissions
- Ambient air quality on the buffer zone boundary
- Physical impact levels (noise pollution)
- Surface, ground and wastewater quality
- Soil condition

INITIATIVES

In 2020, an image-building project, ECO HOUSE TMK, was implemented at Volzhsky Pipe Plant. As part of the project, a state-of-the-art facility was built, combining an environmental laboratory and a workplace for the plant’s environmental function staff. ECO HOUSE is a platform for scientific discussion and will be used to enhance eco-friendly development, educating school and university students. It is a long-term intellectual investment that cultivates young people’s respect for the environment.

In the reporting year, employees of TMK Group facilities helped maintain a favorable environment by participating in environmental cleanup days to clean up and improve the plants’ premises, cities and towns where the plants operate, coastal areas and river banks, as well as greening activities.

To foster environmental thinking, an environmental awareness campaign was conducted among the Company employees in 2020; events teaching office employees to save water, electricity and paper were carried out; corporate media covered environmental efforts of TMK enterprises.

The new two-story ECO HOUSE TMK building features rooms for analytical monitoring of various environments – atmospheric air, natural, fresh and waste water, workplace air – as well as the assessment of human exposure to physical factors, and offices for employees. The environmental center is fitted with state-of-the-art equipment and high-precision measuring tools to support research. Special attention is paid to creating a comfortable environment conducive to employees’ high performance.

PUBLIC RECOGNITION IN 2020



TMK was among 30 most environmentally friendly companies in Russia according to Forbes magazine. The Company ranked 13th and was the leader among steelmakers. The ranking was based on indicators such as emission reduction, environmental expenditures, care for the environmental footprint, and changes in resource consumption, among others.

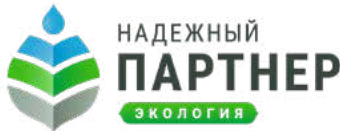
TMK's R&D facility in the Skolkovo Innovation Center won the prestigious competition "Environmental Culture. Peace and Accord", held annually by the V.I. Vernadsky Foundation. TMK's R&D facility environmental certification project won the Environmental Culture in Industry and Energy category.



In spring 2020, the R&D facility received LEED Gold, a highly acclaimed international green building certificate awarded by the U.S. Green Building Council (USGBC) following a multi-stage certification process. The R&D facility became the 33rd LEED Gold certified building in Russia and the first such facility in Skolkovo, which hosts research centers of well-established Russian and international companies.



In 2020, TAGMET and Sinarsky Pipe Plant won the award of the 16th Russian contest "Environment Leader of Russia 2020" in the Best Environmentally Responsible Steel Company category.



Seversky Pipe Plant received a commendation at the all-Russia contest "Reliable Partner – Environment" for implementing local environmental best practices.

2021 PLANS

- To ensure compliance with new environmental laws, TMK has developed a corporate Environmental Performance Improvement Programme for 2021-2023. Its key focus, apart from preparations to obtain new environmental documents, is to improve environmental performance of the Company's key production facilities.
- The Company places a particular emphasis on reducing its carbon footprint. In particular, we plan to develop a corporate programme to reduce GHG emissions, and to advance/progress our efforts to introduce process standardization by assessing the compliance of production processes and applied technological equipment with the provisions of information and technical guides listing the best available technologies.

SPONSORSHIP AND PHILANTHROPY

PURPOSE

create positive social change in the regions hosting our plants.

GOVERNING REGULATIONS

- TMK Group’s Code of Ethics
- Regulations on TMK Group’s Charity Policy
- TMK Group’s Policy on Social Investment, Charitable and Sponsorship Activities (approved by TMK’s Board of Directors on October 07, 2019).

ORGANIZATION

TMK runs its charity projects via a professional operator – the Sinara Charity Foundation, established in 2001, and directly via the Company’s plants in its operating regions.

PRIORITY AREAS OF TMK’S CHARITABLE EFFORTS IN 2020:

- Healthcare
- Training and education
- Culture and art
- Development of local communities
- Sports



TMK Group’s Code of Ethics



Regulations on TMK Group’s Charity Policy

In 2020, with TMK’s support, the Sinara Charity Foundation implemented the following socially significant initiatives:

- Financial support to 151 non-profit organizations, including 44 through various grant competitions.
- Tochka Opory (Foothold), a corporate career advising project spanning 10 cities in the Volgograd, Kaluga, Kurgan, Orenburg, Orel, Rostov, Sverdlovsk and Chelyabinsk Regions. For the first time, over 6,000 high-school students from 100 schools attended the project events. More than 1,200 events were held (comprising tours, “live lessons”, TV shows dedicated to basic trades, training sessions for teachers, etc.). 18 classrooms in the winning schools have been equipped for industry-related programs. Due to COVID-19 restrictions, art and science contests were held remotely for the first time. The best drawings of jobs in the past season were included in the gift calendar of TMK2U Corporate University.
- As part of the Rostochek (Little Sprout) programme to support pre-school institutions, the Company purchased necessary medical equipment – thermometers and germicidal recirculators – for 39 mainstream and special kindergartens in the Volgograd, Rostov and Sverdlovsk Regions. The Company purchased soft supplies for institutions in Kamensk-Uralsky and equipped chess areas at institutions in Polevskoy (both in the Sverdlovsk Region).
- Together with the Sverdlovsk State Philharmonic, TMK implements a social and cultural project, Great Music for Little Hearts, benefiting residents of eight orphanages across the Sverdlovsk Region. The Philharmonic performers give interactive concert lessons, introducing small kids to classical art.

«Stop Coronavirus!» in figures:



In 2020, TMK and the Sinara Charity Foundation implemented the largest fundraising project in the Foundation’s history “Stop Coronavirus!” The project aims at supporting hospitals, healthcare institutions and non-profit organizations that help elderly people who live alone. The project raised RUB 100 million, including financial support from TMK and individual donations from all over Russia, to purchase personal protective equipment for 44 healthcare institutions in 23 cities and settlements across Russia: Abdulino, Artemovsky, Atkarsk, Chusovoy, Kaluga, Kamensk-Uralsky, Karshevitoye, Kartaly, Lyudinovo, Michurinsk, Nizhny Tagil, Orsk, Polevskoy, Slyudyanka, Sochi, Taganrog, Taiga, Tikhoretsk, Ulyanovsk, Vereshchagino, Volzhsky, Yekaterinburg and Zlatoust.



Volunteers who assisted the elderly and people with reduced mobility in self-isolation were not left out either. As part of the nationwide #AllInThisTogether campaign, the Sinara Charity Foundation purchased the necessary equipment to set up 12 volunteer centers in the Sverdlovsk Region.

Under the project, TAGMET purchased medicines and medical equipment for the needs of the City Emergency Hospital, renovated several hospital departments, and manufactured equipment components for the Taganrog Children’s Hospital. Volzhsky Pipe Plant purchased advanced equipment for diagnostic laboratories for COVID-19 testing at City Children’s Polyclinic No. 2 and innovative equipment and medicines for the Volgograd Regional Children’s Clinical Hospital to treat patients with COVID-19. In addition, Volgograd Regional Clinical Hospital for Infectious Diseases No. 1 was also provided with necessary medical equipment.

- The Painless Children’s Hospital project continues to supply medical equipment for, and promote the practice of, the latest innovative low-invasive surgery methods, providing children with a comfortable environment which minimizes stress as they undergo medical treatment. In 2020, the Company purchased a cystoscope and Hopkins optics for the Regional Children’s Clinical Hospital (Yekaterinburg) to examine the urinary system of babies from 0 to 6 months.
- Under the Daily Charity joint project with SKB-BANK, TMK raised RUB 3,174,000 to help children with cancer at the Center of Children’s Oncology and Hematology of the Regional Children’s Clinical Hospital in Yekaterinburg and the oncology department of the Kaluga Regional Clinical Children’s Hospital. For the most part, the individual donations were used to buy expensive medication for the Center of Children’s Oncology and Hematology, procure innovative low-invasive surgery equipment for the Kaluga Regional Clinical Children’s Hospital, and organize training for oncologists on how to use the equipment.
- The Managers League project, aiming at identifying talented managers who would like to change life for the better in the regions of TMK’s presence, took place in three cities – Volzhsky (Volgograd Region), Kamensk-Uralsky (Sverdlovsk Region) and Orsk (Orenburg Region). The project involved over 100 participants and announced 12 winners: four managers from Orsk, four from Kamensk-Uralsky and three from Volzhsky will be trained in special management programs at TMK2U Corporate University and included in the cities’ management talent pools.
- As part of the ABC of the Theatre project, children from orphanages and rehabilitation centers in the Sverdlovsk Region are introduced to best theatrical productions. In 2020, the Nutcracker Ballet Theatre (Yekaterinburg) staged a charity performance at Polevskoy (Sverdlovsk Region). The music show was held in compliance with COVID-19 sanitation requirements. The fun and educative performance full of exciting adventures gathered 300 spectators.

TMK plant employees take active part in the Corporate Citizenship project by donating blood and plasma to children.

- From 10 to 14 September, Yekaterinburg hosted the participants of the 10th anniversary Petrushka the Great international puppet theatre festival, supported by TMK and the Sinara Charity Foundation. 15 theatres from Russia, Germany and France presented puppet shows under the topic “Puppet Theatre: The Link of Times”.
- The Sinara Charity Foundation supported the 5th International Classical Dance Competition, The Nutcracker Invites, held online for the first time. The large-scale cultural event was attended by 140 performers and more than 30 groups of artists from Germany, Israel and Russia. The winners and laureates received 16 grants from the Foundation.
- 2020 saw a unique project supported by the Presidential Grants Foundation – Art Platform to Develop and Promote Modern Art in the Urals region to build a creative community bringing together contemporary Urals artists and young critics, foreign art experts and art historians. Within the project, an information portal has been launched that publishes articles about contemporary art and contemporary artists, and four art brochures (zines) – monographs on the artists, have been published. The project also featured an outdoor exhibition in Yekaterinburg.
- With TMK and the Sinara Charity Foundation’s support, an outdoor photo exhibition OBJECTIVE Charity was opened in Yekaterinburg. The layout included 35 photographs showing the work of Russian foundations and organizations that change the world for the better every day. Another 15 photographs focused on corporate philanthropy projects.

In 2020, TMK's volunteers:

- TMK plant employees take active part in the Corporate Citizenship project by donating blood and plasma to children.
- Took an active part in the #GivingTuesday2020 international initiative. The corporate campaign to support children from social care institutions covered 23 Russian cities, raising funds to purchase over 8,000 items of stationery and school supplies. The donations, including via a QR code, exceeded RUB 125 thousand
- The Company continuously implements the corporate donor campaign "Let Children Smile Again!" The campaign is promoted at the Company's enterprises, and its employees donate blood to local children's hospitals
- All TMK Russian plants run charitable programs, are involved in volunteering initiatives, and consistently provide aid to both veteran organizations and children's and healthcare institutions.



TMK entities run regular long-term charitable activities and campaigns



TAGMET (Taganrog Metallurgical Works)

TAGMET’s philanthropy and sponsorship investment in 2020 totaled almost RUB 27 million. For many years, TAGMET has been providing financial support to pre-schools and sponsored secondary schools to upgrade their facilities, pay monthly student scholarships and award graduates of metallurgical colleges with prizes for their excellent academic performance. To improve

engagement among Taganrog’s plant residents, TAGMET holds an annual contest of social projects Idei v Zhizn (Turning Ideas into Reality), providing the winners with financial support to implement their programs. The company is also focused on creating a favorable urban environment, including through area improvement and holding cleanup days.



Volzhsky Pipe Plant

Volzhsky Pipe Plant’s philanthropy and sponsorship investment exceeded RUB 48.6 million. Volzhsky Pipe Plant helps educational institutions to equip research laboratories, publish collections of science articles and pay scholarships to promising students and grants to teachers. The plant provides financial assistance to pre-schools and orphanages,

renting transport for the disabled and helping to buy gifts for children with disabilities. In 2020, Volzhsky Pipe Plant continued its cooperation with local non-profit organizations to implement a number of socially significant projects, including in sports, inclusion and environmental protection. The plant’s Council of Young Pipe Manufacturers traditionally provides aid to

the Volzhsky Baby House, the Dom Miloserdiya orthodox orphanage, the Nadezhda Center for Rehabilitation of Children and Adolescents with Disabilities, the Cheremushka Childcare Center for Visually Impaired Children, and to WW2 veterans. Volzhsky Pipe Plant is also implementing the construction of the Metallurg sports and recreation center.



Sinarsky Pipe Plant

Sinarsky Pipe Plant’s philanthropy and sponsorship investment exceeded RUB 78 million. In Kamensk-Uralsky, Sinarsky Pipe Plant regularly holds sports events for the young, such as city and regional tournaments in football, hockey, swimming, volleyball, boxing, trap shooting and chess. Financial support is given to children’s sports clubs, educational institutions and artist groups such as a sports ballroom dancing group, a pop singing studio and a Cossack song group. An important part of the plant’s social policy is support for veterans of the Great Patriotic War: in 2020, Sinarsky Pipe Plant

congratulated 150 veterans on the 75th anniversary of the Victory Day, presented tours to a health resort to 78 veterans and renovated flats for two veterans. Special attention is paid to the cultural development of the plant employees and residents of Kamensk-Uralsky through organizing theatrical performances and concerts for the employees and their families. Each year, with the support from Sinarsky Pipe Plant, a New Year ice town is built in Kamensk-Uralsky, the Baptismal Font free mass event is held at the Sinara sports center, and the Yunost Culture Center hosts

celebrations on the Defender of the Fatherland Day, International Women’s Day, and public festivals on Maslenitsa. The city’s sports centers have health programs for Sinarsky Pipe Plant employees in swimming and gymnastics.

Seversky Pipe Plant

Seversky Pipe Plant’s philanthropy and sponsorship investment amounted to almost RUB 26 million. Seversky Pipe Plant provides financial support to sponsored educational institutions in Polevskoy and offers career guidance in cooperation with the Administration of the Polevskoy Urban District, Education Department, secondary and vocational educational institutions and public schools. Seversky Pipe Plant places a special emphasis on promoting healthy lifestyles among citizens.

Orsky Machine Building Plant

Orsky Machine Building Plant’s philanthropy and sponsorship investment was almost RUB 6 million. Orsky Machine Building Plant cooperates closely with local non-profit organizations and provides financial support to educational and social institutions in Orsk. In 2020, the company held its traditional Help a Big Family campaign, during which the company’s employees donated food baskets to large families.

RECOGNITION

The Sinara Charitable Foundation was ranked 39th in the ranking of Russian corporate and private foundations by the Vedomosti newspaper and 15th in the Public Recognition and Activity in Social Networks and Media category.

The Foundation was included in the register of Russia’s socially-oriented non-profit organizations (No. 4655).

In the Corporate Philanthropy Leaders ranking by the Donors Forum, TMK was assigned the B category, implying a good philanthropic practice.



APPENDICES

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT IN ACCORDANCE WITH RECOMMENDATIONS OF THE BANK OF RUSSIA (LETTER NO. IN-06-52/8 DATED FEBRUARY 17, 2016)

This Corporate Governance Code Compliance Report was discussed by the Board of Directors of Public Joint Stock Company Trubnaya Metallurgicheskaya Kompaniya (PAO TMK) at the meeting dated March 11, 2021, Minutes No. 21 dated March 12, 2021.

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2020.

The statement of PAO TMK’s Board of Directors on compliance with the corporate governance principles set out in the Corporate Governance Code is provided on page 47 of this Annual Report.

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1	The company ensures equal and fair treatment of all shareholders in exercising their corporate governance right			
1.1.1	The company ensures the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered	<div>1. The company’s internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available.</div> <div>2. The company provides accessible means of communication with the company, such as a hotline, email or online forum, to enable shareholders to express their opinions and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting	<div>1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting.</div> <div>2. The notice of an upcoming meeting specifies the meeting venue and the documents required for admission.</div> <div>3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company’s board of directors and revision committee</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other.	<ol style="list-style-type: none"> In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the annual general meeting The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, for all general meetings held in the reporting period 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<ol style="list-style-type: none"> This recommendation relates to the procedure for holding general meetings of shareholders in person and has been in place at PAO TMK since 2019. In line with recommendations of the Bank of Russia, the General Meeting of Shareholders during the pandemic were only held in absentia (as per the provisions of Federal Law No. 50-FZ dated March 18, 2020, and the Bank of Russia's Letter No. IN-06-28/48 dated April 3, 2020). Full compliance. Full compliance. <p>In view of the above circumstances, the Board of Directors confirms the Company's full compliance with principle 1.1.3</p>
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	<ol style="list-style-type: none"> In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.5	Each shareholder was able to freely exercise his/her voting right in the simplest and most convenient way.	<ol style="list-style-type: none"> An internal document (internal policy) of the company contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled out by them and certified by the counting commission 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions	<ol style="list-style-type: none"> During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items. Nominees to the company's governing and control bodies were available to answer shareholders' questions at the meeting at which their nominations were put to vote. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p>This recommendation relates to the procedure for holding general meetings of shareholders in person and has been in place at PAO TMK since 2019. In line with recommendations of the Bank of Russia, the General Meeting of Shareholders during the pandemic were only held in absentia (as per the provisions of Federal Law No. 50-FZ dated March 18, 2020, and the Bank of Russia's Letter No. IN-06-28/48 dated April 3, 2020).</p> <p>In view of the above circumstances, the Board of Directors confirms the Company's full compliance with principle 1.1.6.</p>
1.2	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends			
1.2.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<ol style="list-style-type: none"> The company has drafted and disclosed a dividend policy approved by the board of directors. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	The company's dividend policy clearly identifies financial/ economic circumstances under which the company shall not pay out dividends.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.4	The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.	To prevent its shareholders profiting from the company through any means other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's significant shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognize such deals as interested party transactions.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3	The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	In the reporting period, procedures for managing potential conflicts of interest among significant shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	No quasi-treasury shares were issued or used to vote in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance			
1.4.1	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	The company's registrar maintains the securities register in an efficient and reliable way that meets the needs of the company and its shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1	The board of directors carries out the strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company's executive bodies, and performs other key functions			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	<div>1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</div> <div>2. The board of directors reviewed the report(s) by the sole executive body or members of the collegial executive body on the implementation of the company's strategy</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), as well as criteria and performance (including interim) of the company's strategy and business plans	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.3	The board of directors determines the company's principles of, and approaches to, setting up a risk management and internal control system.	<div>The board of directors determined the company's principles of, and approaches to, setting up a risk management and internal control system.</div> <div>The board of directors assessed the company's risk management and internal control system in the reporting period</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.4	The board of directors determines the company's policy on remuneration payable to, and/or reimbursement (compensation) of costs incurred by, directors, executive bodies and other key executives of the company.	<div>1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for directors, executive bodies and other key executives.</div> <div>2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders, and employees	1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts 2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents	1. The board of directors approved the company's regulations on the information policy 2. The company designated persons responsible for implementing the information policy	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in its significant corporate events	In the reporting period, the board of directors reviewed the company's corporate governance practices	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2	The board of directors is accountable to the company's shareholders			
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of the board of directors' performance assessment in the reporting period	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders	The company has in place a transparent procedure enabling its shareholders to forward questions and express their positions on such questions to the chairman of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders			
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to performing its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of directors' professional qualifications. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	Whenever throughout the reporting period the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise and business skills, and has the trust of shareholders.	As part of the board of directors' performance assessment run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.4	The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	As part of the board of directors' performance assessment run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4	The board of directors includes a sufficient number of independent directors			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop his/her own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its significant shareholder, significant counterparty or competitor, or is related to the government, may not be considered as independent under normal circumstances.	In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code or were deemed independent by resolution of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders 2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.3	Independent directors make up at least one third of elected directors.	Independent directors make up at least one third of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	Independent directors (who do not have a conflict of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director is chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors	<div>1. The board of directors is chaired by an independent director, or a senior independent director is chosen from among the independent directors.</div> <div>2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents</div>	<div><input type="checkbox"/> Full</div> <div><input checked="" type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	<div>1. The Chairman of PAO TMK's Board of Directors is a non-executive director. The Company believes that this inconsistency with the Code's recommendations is favorable for the Company since the Chairman is also the Company's ultimate beneficiary.</div> <div>The Chairman of the Board of Directors was elected unanimously by all members of the Company's Board of Directors.</div> <div>The Company is aware that election of a senior independent director is good international practice; however, international practice is largely based on a diffused ownership model, which is not typical of TMK.</div> <div>The Board of Directors considers the existing governance framework to be efficient; the members of the Board of Directors actively participate in meetings discussing all agenda items.</div> <div>Potential risks arising from non-compliance with this recommendation of the Code are mitigated through the practice of electing to the Board of Directors a sufficient number of independent directors (five directors out of eleven) with an impeccable reputation in the investment and business community.</div> <div>When considering its composition in the reporting year, the Board of Directors assumed that there was no need to elect a senior independent director since independent directors are included in the Board of Directors and each independent director is free to express his/her opinion and vote on agenda items.</div> <div>The Board of Directors plans to pursue the above approach in the near term.</div> <div>2. Full compliance.</div>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	Performance of the chairman of the board of directors was assessed as part of the board of directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials regarding items on the agenda of a board meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6	Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence			
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks	<div>1. The company's internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committee, prior to discussing the relevant agenda item</div> <div>2. The company's internal documents stipulate that a director should abstain from voting on any item in connection with which he/she has a conflict of interest</div> <div>3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company</div>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	The company has adopted and published an internal document that clearly defines the rights and duties of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.3	Directors have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period 2. In accordance with the company's internal documents, directors should notify the board of directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.4	All directors have equal access to the company's documents and information. Newly elected members of the board of directors are furnished with sufficient information about the company and the board of directors' performance as soon as possible.	1. In accordance with the company's internal documents, directors are entitled to access documents and make queries regarding on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents 2. The company has in place a formalized induction program for newly elected members of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7	Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors ensure efficient performance by the board of directors			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	The board of directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.2	The company's internal regulations formalize a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.	The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	The company's articles of association or internal document provide for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8	The board of directors sets up committees for preliminary consideration of the most important matters related to the company's operations			
2.8.1	An audit committee comprised of independent directors was set up to preview matters related to controlling the company's financial and business activities	<div>1. The board of directors set up an audit committee comprised solely of independent directors.</div> <div>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</div> <div>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements.</div> <div>4. In the reporting period, meetings of the audit committee were held at least once a quarter</div>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<div>1. Along with independent directors, the Audit Committee includes one non-executive director. The Chairman of the Audit Committee is an independent director. The Board of Directors discussed exclusive Committee membership of independent directors and acknowledged the Company's practice to be justified since it strikes the optimal balance of directors' roles and ensures sufficient time to perform their duties, as well as provides for the membership of directors whose qualifications and experience allow to make professional judgements on industry trends and the Company's operations. All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies. The Board of Directors also pays attention to regular re-election of Committees, the age balance of their members, and ensuring continuity of their functions. The Board of Directors plans to pursue the above approach in the near term to committee composition.</div> <div>2–4. Full compliance.</div>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<div>1. The board of directors set up a remuneration committee comprised solely of independent directors.</div> <div>2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors.</div> <div>3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code</div>	<div><input type="checkbox"/> Full</div> <div><input checked="" type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	<div>1. The Nomination and Remuneration Committee combines the functions of a remuneration committee and a nomination (HR, appointments) committee. The Chairman of the committee is an independent director.</div> <div>Along with independent directors, the committee includes one non-executive director.</div> <div>The committee members' qualifications and experience enable a professional approach to set goals.</div> <div>All Committee members comply with the recommendations of the Russian Corporate Governance Code for their competencies.</div> <div>The composition of the committee is based, among other things, on the optimal distribution of the Directors' workload and providing them with sufficient time to perform their duties.</div> <div>The Board of Directors plans to pursue the above approach in the near term to committee composition.</div> <div>2–3. Full compliance.</div>
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee was set up, predominantly comprised of independent directors.	<div>1. The board of directors set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee <4>) predominantly comprised of independent directors.</div> <div>2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	In the reporting period, the company's board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	In the reporting period, committee chairmen reported to the board of directors on the performance of committees on a regular basis.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.9	The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors and the board of directors in general 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.9.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1	The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests and support efficient performance of the board of directors			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company has adopted and published an internal document – regulations on the corporate secretary 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1	Remuneration payable by the company is sufficient to attract, motivate and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies and other key executives of the company is in compliance with the approved remuneration policy of the company			
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	The company has in place an internal document (internal documents) – the policy (policies) on remuneration of directors, executive bodies and other key executives, which clearly defines the approaches to remuneration of the above persons.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates all types of expenses, benefits and privileges provided to such persons.	The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1.4	The company determines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	The remuneration policy (policies) or other internal documents of the company defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies and other key executives of the company.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.2	Long-term ownership of the company shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3	The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<div>1. In the reporting period, annual performance targets approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company</div> <div>2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration</div> <div>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.3.2	The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of company shares (options and other derivative instruments where company shares are the underlying asset).	<div>1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of company shares (financial instruments based on company shares)</div> <div>2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration.	In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1	The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals			
5.1.1	The company's board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.	Functions of different governing bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents/relevant policy approved by the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy. 2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal control system. Key results of this assessment are included in the company's annual report	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2	The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice			
5.2.1	The company has set up a separate business unit or engaged an independent external organization to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors	To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organization with the same line of reporting	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2.2	The internal audit division assesses the performance of the internal control system, risk management system and corporate governance framework. The company applies generally accepted standards of internal audit	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal control and risk management	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.1	The company and its operations are transparent for its shareholders, investors and other stakeholders			
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders	<ol style="list-style-type: none"> The company's board of directors approved an information policy developed in accordance with the Code's recommendations The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code	<ol style="list-style-type: none"> The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website. The company discloses information on the composition of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code). If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>1–2. Full compliance.</p> <p>3. The information on the ultimate beneficiary, the Company's controlling person, is disclosed on the corporate website in quarterly issuer reports and in this Annual Report.</p> <p>The Company's controlling person is simultaneously the Chairman of the Board of Directors; his plans for the most significant aspects of the Company's corporate governance are reflected in internal documents and in other information (including material facts on decisions made by governing bodies) disclosed on the Company's website</p>
6.2	The company makes timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data	<ol style="list-style-type: none"> The company's information policy sets out the approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information If company securities are traded on foreign organized markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year If foreign shareholders hold a material portion of the company shares, the relevant information was disclosed in the reporting period both in the Russian language and one of the most widely used foreign languages 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law	In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	The Company complies with this principle and, following best practice, additionally discloses quarterly IFRS statements. This Annual Report has been prepared in accordance with the Code recommendations on additional disclosures to be made in the Annual Report (paragraph 293) and, in particular, contains analysis of key metrics presented in the Company's consolidated financial statements for 2020 (MD&A). The IFRS statements for 2020 and the auditor's report are disclosed in the English and Russian languages on the issuer's website, Interfax information disclosure website and referred to in this Annual Report. Thus, investors have equal and easy access to the IFRS statements
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results	1. The company's annual report contains information on the key aspects of its operational and financial performance 2. The company's annual report contains information on the environmental and social aspects of the company's operations	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access			
6.3.1	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.	The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1	Actions that materially affect or may affect the company's share capital structure and financial position and accordingly the position of its shareholders («material corporate actions») are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed			
7.1.1	Material corporate actions include company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association provide for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors	<div>1. The company's articles of association include a list of transactions or other actions classified as material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the authority of the board of directors. When execution of such corporate actions is expressly referred by law to the authority of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders.</div> <div>2. According to the company's articles of association, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
7.1.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors	The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements	<ol style="list-style-type: none"> Due to the specifics of the company's operations, the company's articles of association contain less stringent criteria for material corporate actions than required by law All material corporate actions in the reporting period were duly approved before they were taken 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.2	The company takes material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences	In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents	<ol style="list-style-type: none"> The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. The company's internal documents provide for an expanded list of grounds on which the company's directors and other persons as per the applicable law are deemed to be interested parties to the company's transactions 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>4. The Company's internal documents do not provide for a procedure for engaging an independent appraiser to estimate the value of the assets either disposed of or acquired in a major transaction or an interested party transaction. The value of the assets is controlled by the Board of Directors within the scope of its authority. The Board of Directors includes independent directors the number of which is sufficient for exercising control over the fair value of the assets disposed of or acquired. In accordance with the Company's Articles of Association, any transactions associated with acquisition, alienation, pledge, leasing, or other disposal of immovable property are subject to approval by the Company's Board of Directors. The Company does not intend to review its approach to this matter in the near future.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				<p>5. The Company’s internal documents do not provide for engagement of an independent appraiser to estimate the value of the shares acquired and bought back by the Company as Company shares are traded on the highest quotation list of the exchange, have sufficient liquidity, and therefore, the Company has fair knowledge of their value.</p> <p>The Company does not intend to review its approach to this matter in the near future.</p> <p>6. The Company’s internal documents do not provide for an expanded list of grounds on which the Company’s directors and other persons as per the applicable law are deemed to be interested parties to the company’s transactions.</p> <p>Pursuant to the Company’s Regulations on the Board of Directors, members of the Board of Directors are to refrain from actions that will or may result in a conflict between their interests and those of the Company, and should such a conflict arise, they should promptly disclose to the Company any relevant information.</p> <p>Analysis of implementation of the Regulations set forth above confirms its efficiency and reasonable sufficiency, so the Company does not intend to introduce additional interested party criteria in the near future.</p>

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of PAO TMK and its subsidiaries are published on the Company's website at:

https://www.tmk-group.com/Financial_results
(Financial Results section)

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2020

The following review of our financial position and results of operations is based on, and should be read in conjunction with, our consolidated financial statements and related notes for the year ended 31 December 2020.

Certain information, including our forecasts and strategy, contains forward-looking statements and is subject to risks and uncertainties, domestically and internationally. In assessing these forward-looking statements, readers should consider various risk factors as the company's actual results may differ materially from the expected results discussed in this report.

Rounding

Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

EXECUTIVE OVERVIEW

We are one of the world's leading producers of steel pipes for the oil and gas industry, a global company with extensive network of production facilities, sales companies and representative offices.

The principal activities of our company are the production and distribution of seamless and welded pipes, including pipes with the entire range of premium connections backed by extensive technical support.

Our plants produce almost the entire range of existing pipes used in the oil-and-gas sector, the chemical and petrochemical industries, energy and machine-building, construction and municipal housing, shipbuilding, aviation and aerospace, and agriculture.

We created an up-to date technological complex based on advanced scientific research, manufacturing high-quality competitive products.

Our operations are geographically diversified with manufacturing facilities in Russia, Romania and Kazakhstan. We operate two R&D centers in Russia. Our global market presence is supported by a wide distribution network. In 2020, we delivered 76% of our tubular products to our customers located in Russia. We estimate our share on the global market of seamless OCTG at around 10%.

We are the largest exporter of pipes in Russia. Exports of pipes produced by our Russian plants accounted for 18% of our total sales in 2020.

In 2020, we sold 2,811 thousand tonnes of steel pipes. Seamless pipes comprised 72% of our sales volumes. Sales of seamless OCTG reached 1,198 thousand tonnes, a 29% year-on-year decrease. The decrease was mainly a result of IPSCO disposal. Sales of LDP were 30% lower year-on-year at 326 thousand tonnes.

In 2020, our total consolidated revenue decreased by 28% to 222,621 million roubles as compared to 2019. Adjusted EBITDA¹ was 42,480 million roubles as compared to 43,540 million roubles in the previous year. Adjusted EBITDA margin was 19% as compared to 14% in 2019.

Market conditions for 2020

The Russian pipe market declined by 9% compared to 2019, predominantly reflecting lower shipments of large diameter pipe. Deceleration in drilling activity and a lower share of horizontal drilling (50% in 2020 compared to 53% in 2019) resulted in some decline in total OCTG pipe market volume.

In 2020, European pipe market experienced a significant decline in consumption from key industries resulting from deterioration of business activity, caused by COVID-19 pandemic and lockdowns.

KEY EVENTS

In January 2020, we sold 100% IPSCO Tubulars Inc. shares to Tenaris. As a part of the sale the parties entered into a 6-year agreement whereby, beginning on January 2, 2020, Tenaris became an exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada.

As a result of the sale, S&P raised our long-term credit rating from «B+» to «BB-» with Stable outlook. Moody's changed outlook from Stable to Positive and confirmed credit rating at B1.

In January 2020, we commissioned a new heat treatment facility at Seversky Pipe Plant with an annual capacity of up to 300 thousand tonnes. The new facility provides heat treatment for 168–370 mm diameter pipes with 6,4–40 mm pipe walls. The total amount of investments was 5.5 billion roubles, 110 of new jobs were created. New line allows to produce premium tubular products for fields with hard to extract reserves and for wells with aggressive environment and extreme North conditions.

In February 2020, we completed a RUB 500 million 7-year Eurobond issue with a coupon of 4.30%. The proceeds from the Eurobond offering were used to refinance \$500 million Eurobond matured in April 2020.

In April, a new finishing complex was commissioned at SinTZ. The equipment enables to perform main finishing operations in automatic mode.

On April 23, 2020 we completed the offering of Russian rouble bonds in the amount of 10 billion roubles. We used the proceeds to refinance our existing bonds and some bank loans. The placement had a positive effect on our debt maturity profile.

¹ Adjusted EBITDA - See «Selected financial data».

In August, we signed an agreement to supply pipes to Amursky Gas Chemical Complex, one of the world’s largest polymer production enterprises, which is currently being constructed by SIBUR in the Amur region. According to the agreement we will deliver a set of complex solutions including seamless pipes, welded large-diameter pipes and pipeline parts in a total volume of more than 36 thousand tonnes in 2021-2023.

In October, we acquired 100% ownership interest in a casting and rolling complex, located in Yartsevo, Smolensk Region, TMK-YMZ (former-Parus, LLC). The complex has a production capacity of more than 300 thousand tonnes of rolled steel per year.

In October, we announced the completion of share buyback program of TMK ordinary shares that has been approved by the Board of Directors on 11 September 2020. The Program was performed by VTZ through the period of 15 September 2020 to 15 October 2020. As a result of the Program VTZ acquired 29,854,245 ordinary shares of TMK, which constitutes 2.89% of the total number of issued ordinary shares of TMK. The remaining shares in free-float are 4.4% of the total number of issued ordinary shares of TMK.

In October, a casing string made up of premium threaded connection pipes manufactured by TMK was successfully lowered into a well from the Berkut offshore ice resistant stationary platform at the Sakhalin-1 project’s Arkutun-Dagi field.

In October, we acquired a controlling stake in enterprises comprising Truby 2000. The acquisition will enable the expansion of the Group’s partnership with the state corporation Rosatom and accelerate further development of our expertise in the segment of equipment for nuclear stations.

We developed unique pipes for Rosatom’s mechanical engineering division for its BREST-OD-300 experimental demonstration power unit. A technology to produce extra-long heat-exchange pipes made of special durable, ductile steel was developed exclusively for the new power unit. The high-strength austenitic steel withstands both steam water and superheated steam, as well as liquid lead, which is used in a reactor as a coolant. As part of a project to establish the closed nuclear fuel cycle, TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

In December, we reached an agreement on expanding cooperation with the largest oil and gas company in Uzbekistan – JSC Uzbekneftegaz. The parties are discussing joint projects aimed at the development of the oil and gas industry in the Republic of Uzbekistan, as well as research and technical cooperation.

BUSINESS STRUCTURE

Our operating segments reflect TMK's management structure and the way financial information is regularly reviewed. For management purposes, TMK is organised into business divisions based on geographical location and has three reporting segments:

- Russian division: plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia, traders located in Russia, the United Arab Emirates, the USA and Switzerland. The Russian division is engaged in the production and supply of seamless and welded pipe, premium products and the provision of related services to oil and gas companies;
- American division: plants and traders located in the USA and Canada. On January 2, 2020, the Group completed the disposal of IPSCO Tubulars Inc. and its subsidiaries which constituted the American division;
- European division: plants located in Romania and traders located in Italy and Germany. The European division is engaged in the production and supply of seamless pipe and steel billets.

YEAR ENDED 31 DECEMBER 2020 RESULTS

RESULTS OF OPERATIONS

In 2020, our results were largely impacted by IPSCO disposal and an economic slowdown due to COVID-19 pandemic, despite which our Adjusted EBITDA stayed in line with 2019.

Indicators	2020	2019	Change
	RUB mln	RUB mln	RUB mln
Sales volume (in thousand tonnes)	2,811	3,828	(1,017)
Revenue	222,621	308,378	(85,757)
Cost of sales	(174,051)	(246,736)	72,685
GROSS PROFIT	48,570	61,642	(13,072)
<i>GROSS PROFIT MARGIN</i>	22%	20%	
Net operating expenses ¹	(33,019)	(36,006)	2,987
Impairment of assets	(5,216)	(6,246)	1,030
Foreign exchange gain/(loss), net	8,288	2,098	6,190
Finance costs, net	(11,874)	(14,104)	2,230
Gain/(loss) on disposal of subsidiaries	23,870	(13)	23,883
Other non-operating income/(expenses)	(261)	(1,344)	1,083
PROFIT/(LOSS) BEFORE TAX	30,358	6,027	24,331
Income tax benefit/(expense)	(6,057)	(2,081)	(3,976)
NET PROFIT/(LOSS)	24,301	3,946	20,355
<i>NET INCOME MARGIN</i>	11%	1%	
ADJUSTED EBITDA	42,480	43,540	(1,060)
<i>ADJUSTED EBITDA MARGIN</i>	19%	14%	

¹ Net operating expenses include selling and distribution, general and administrative, advertising and promotion, research and development and net other operating income/(expense).

SALES

In 2020, our consolidated revenue decreased by 85,757 million roubles or 28% mainly as a result of IPSCO disposal.

SALES BY REPORTING SEGMENTS ARE AS FOLLOWS

Indicators	2020	2019	Change	Change
	thousand tonnes	thousand tonnes	thousand tonnes	%
Russia	2,637	3,120	(483)	(15)
America	-	520	(520)	(100)
Europe	174	187	(14)	(7)
TOTAL PIPE	2,811	3,828	(1,017)	(27)
		RUB mln	RUB mln	%
Russia	208,386	235,269	(26,883)	(11)
America	-	57,780	(57,780)	(100)
Europe	14,234	15,329	(1,094)	(7)
TOTAL REVENUE	222,621	308,378	(85,757)	(28)

SALES BY GROUP OF PRODUCTS ARE AS FOLLOWS

Indicators	2020	2019	Change	Change
		thousand tonnes	thousand tonnes	%
Seamless pipe	2,026	2,651	(625)	(24)
Welded pipe	785	1,177	(392)	(33)
TOTAL PIPE	2,811	3,828	(1,017)	(27)
		RUB mln	RUB mln	%
Seamless pipe	166,262	221,031	(54,770)	(25)
Welded pipe	40,362	74,483	(34,121)	(46)
TOTAL PIPE	206,624	295,514	(88,890)	(30)
Other operations	15,997	12,863	3,134	24
TOTAL REVENUE	222,621	308,378	(85,757)	(28)

Russia. The division's revenue decreased by 26,883 million roubles or 11% year-on-year.

Revenue from sales of seamless pipe decreased by 16,150 million roubles. Negative effect of lower sales volumes was partially offset by better product mix.

Revenue from sales of welded pipe decreased by 15,056 million roubles mainly as a result of lower LDP sales, which also had a negative impact on product mix.

Revenue from other operations increased by 4,323 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

Europe. In the European division revenue decreased by 1,094 million roubles or 7% year-on-year. Favorable currency translation effect was 1,464 million roubles. Excluding this effect revenue fell by 2,558 million roubles.

Revenue from sales of seamless pipe decreased by 2,516 million roubles as compared to the last year as a result of unfavorable market environment influenced by COVID-19 pandemic.

Revenue from other operations decreased by 46 million roubles as compared to previous year mostly as a result of lower billets sales.

GROSS PROFIT

In 2020, our consolidated gross profit decreased by 13,071 million roubles or 21% year-on-year and amounted to 48,570 million roubles. Gross profit margin was 22% compared to 20% in 2019.

GROSS PROFIT RESULTS BY REPORTING SEGMENTS ARE AS FOLLOWS:

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Russia	47,040	23	55,382	24	(8,342)
America	-	-	2,983	5	(2,983)
Europe	1,530	11	3,276	21	(1,746)
TOTAL GROSS PROFIT	48,570	22	61,641	20	(13,071)

GROSS PROFIT RESULTS BY GROUP OF PRODUCTS ARE AS FOLLOWS

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Seamless pipe	44,125	27	55,397	25	(11,272)
Welded pipe	3,292	8	5,628	8	(2,336)
TOTAL PIPE	47,417	23	61,025	21	(13,608)
Other operations	1,153	7	617	5	536
TOTAL GROSS PROFIT	48,570	22	61,641	20	(13,071)

Russia. The division's gross profit decreased by 8,342 million roubles. Gross profit margin was 23% compared to 24% in 2019.

Gross profit from sales of seamless pipe fell by 4,509 million roubles as a result of lower sales volumes, the negative effect of which was partially offset by improved product mix. Raw material prices also had a negative impact on our gross profit.

Gross profit from sales of welded pipe decreased by 4,431 million roubles as a result of significant drop in LDP sales volumes, which also had a negative impact on product mix.

Gross profit from other operations increased by 597 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

Europe. Gross profit in the European division decreased by 1,746 million roubles or 53%. Favorable currency translation effect was 157 million roubles. Excluding this effect gross profit decreased by 1,903 million roubles. Gross profit margin amounted to 11% compared to 21% in 2019.

Gross profit from sales of seamless pipe fell by 1,909 million roubles as a result of unfavorable market environment. Gross profit was also affected by lower sales volumes.

Gross profit from other operations stayed almost flat as compared to 2019.

NET OPERATING EXPENSES

Net operating expenses were lower by 2,624 million roubles or 7%. The share of net operating expenses, expressed as a percentage of revenue, was 15% compared to 12% in 2019.

ADJUSTED EBITDA

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. In 2020, adjusted EBITDA decreased by 1,060 million roubles or 2% as compared to previous year. Adjusted EBITDA margin was 19% compared to 14% in 2019.

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Russia	41,950	20	40,055	17	1,895
America	-		1,968	3	(1,968)
Europe	530	4	1,517	10	(987)
TOTAL ADJUSTED EBITDA	42,480	19	43,540	14	(1,060)

Russia. Adjusted EBITDA was higher by 1,895 million roubles as lower gross profit was offset by foreign exchange gain on operations. Adjusted EBITDA margin was 20% compared to 17% in 2019.

Europe. Adjusted EBITDA decreased by 987 million roubles as compared to 2019 following a decrease in gross profit, which was partially offset by lower operating expenses. Adjusted EBITDA margin amounted to 4% as compared to 10% in 2019.

IMPAIRMENT OF ASSETS

In the year ended December 31, 2020, we recognised the impairment loss of 5,216 million roubles compared to 6,246 million roubles loss in 2019.

FOREIGN EXCHANGE MOVEMENTS

In 2020, we recorded a foreign exchange gain in the amount of 8,288 million roubles as compared to a 2,098 million roubles gain in 2019.

NET FINANCE COSTS

In 2020, net finance costs decreased by 2,230 million roubles or 16%. The weighted average nominal interest rate was 6.07% as of 31 December 2020 as compared to 6.95% as of 31 December 2019.

CASH FLOWS

The following table presents our cash flows

Indicators	2020	2019	Change
		RUB mln	RUB mln
Cash provided by operating activities before working capital changes	34,305	42,636	(8,331)
Decrease/ (increase) in inventories	(2,668)	(3,197)	529
Decrease/ (increase) in settlements with customers	46,128	406	45,722
Increase/ (decrease) in settlements with suppliers	(21,601)	2,588	(24,189)
Income tax paid	(7,512)	(4,425)	(3,087)
Net cash provided by operating activities	48,652	38,008	10,644
Payments for property and equipment	(10,524)	(14,183)	3,659
Acquisition of subsidiaries	(14,439)		(14,439)
Other investments	55,106	(9,308)	64,414
Free Cash Flow	78,795	14,517	64,278
Change in loans	(1,426)	(3,312)	1,886
Interest paid	(12,698)	(14,153)	1,455
Other financing activities	(22,498)	2,113	(24,611)
Free Cash Flow to Equity	42,173	(835)	43,008
Dividends paid	(3,259)	(2,736)	(523)
Effect of exchange rate changes	11,998	(1,526)	13,524
Cash and cash equivalents at the beginning of period	22,124	27,221	(5,097)
Cash and cash equivalents at period end	73,036	22,124	50,912

Cash provided by operating activities before working capital changes decreased by 8,331 million roubles and amounted to 34,305 roubles million. The positive cash flow from working capital changes was 21,859 million roubles in 2020 as compared to a negative cash flow in the amount of 203 million roubles in 2019. Working capital change in 2020 was mainly attributable to an increase in advances from customers.

Net repayment of borrowings amounted to 1,426 million roubles as compared to net repayment in the amount of 3,312 million roubles in 2019.

Cash and cash equivalents at the end of the period amounted to 73,036 million roubles as compared to 22,124 million roubles at the end of 2019.

INDEBTEDNESS

Our total debt increased to 199,075 million roubles as of 31 December 2020 from 186,058 million roubles as of 31 December 2019. Net repayment of borrowings in 2020 was 1,426 million roubles. The increase in debt was a result of the rouble depreciation against the U.S. dollar. Our Net debt amounted to 98,674 million roubles as compared to 154,931 million roubles as of 31 December 2019.

As of 31 December 2020, our debt portfolio comprised diversified debt instruments, including bank loans, bonds and other credit facilities. As of 31 December 2020, the U.S. dollar-denominated portion of our debt represented 20%, Rouble-denominated portion of debt represented 75%, euro-denominated portion of debt represented 5% of our total debt.

The share of our short-term debt was 37% as of 31 December 2020 compared to 45% as of 31 December 2019.

As of 31 December of 2020, our weighted average nominal interest rate decreased by 88 basis points to 6.07% compared to 31 December 2019.

OUR MOST SIGNIFICANT CREDIT FACILITIES AS OF 31 DECEMBER 2020 WERE AS FOLLOWS

Type of borrowing	Bank	Original currency	Outstanding principal amount	Maturity period
			RUB mln	
Eurobonds		USD	36,938	February 2027
Loan	Gazprombank	RUR	20,000	August 2025
Loan	Sberbank	RUR	14,000	October 2023
Loan	VBRR	RUR	12,500	July 2022
Loan	Gazprombank	RUR	11,200	March 2022
Bonds		RUR	10,000	May 2021
Bonds		RUR	10,000	April 2022
Loan	VTB	RUR	9,000	March 2022
Loan	Alfa-Bank	RUR	6,000	July 2021
Loan	Sberbank	RUR	6,000	December 2021
			135,638	
Other credit facilities			63,990	
Unamortised debt issue costs			(553)	
TOTAL LOANS AND BORROWINGS			199,075	

DEVELOPMENT TRENDS

In Russia, we expect demand for OCTG pipe from oil and gas companies to remain stable, supported by continued development of their existing and new projects, as well as increased complexity of hydrocarbons production in Russia.

In Europe, we expect consumption of industrial pipe to recover gradually after the lifting of massive COVID-19 lockdowns and due to implemented government measures to support industrial companies in the eurozone countries.

SELECTED FINANCIAL DATA

ADJUSTED EBITDA

RECONCILIATION OF INCOME BEFORE TAX TO ADJUSTED EBITDA FOR THE 12 PREVIOUS MONTHS,
RUB MLN

Indicators	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Income before tax	30,358	27,701	21,400	25,448	6,027
Depreciation and amortisation	12,651	11,750	11,706	11,805	13,282
Finance costs, net	11,874	12,350	13,174	13,901	14,104
Impairment of assets	5,216	11,373	10,986	10,673	6,246
Foreign exchange (gain)/loss, net	(8,288)	(9,772)	(3,838)	(2,027)	(2,098)
Foreign exchange gain/(loss) from operations	6,942	8,223	2,787	5,388	(597)
Loss/(gain) on disposal of property, plant and equipment	347	797	862	783	898
Movement in allowances and provisions (except for provisions for bonuses)	5,679	5,102	4,575	4,813	2,848
Gain on disposal of subsidiaries	(23,870)	(23,864)	(23,895)	(26,552)	13
Other non-operating income/(expenses)	1,671	2,040	2,344	2,473	2,555
(Gain)/losses from associates	(100)	(59)	(2)	38	263
ADJUSTED EBITDA	42,480	45,641	40,099	46,743	43,541

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. We believe that this approach objectively reflects our results against high volatility in foreign exchange markets.

Adjusted EBITDA is not a measure of our operating performance under IFRS and should not be considered as an alternative to gross profit, net profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, Adjusted EBITDA should not be considered to be a measure of discretionary cash available to invest in our growth. Adjusted EBITDA has limitations as an analytical tool, and potential investors should not consider it in isolation, or as a substitute for analysis of our operating results as reported under IFRS.

The following limitations of Adjusted EBITDA as an analytical tool should be considered:

- Adjusted EBITDA does not reflect the impact of financing or finance costs on our operating performance, which can be significant and could further increase if we were to incur more debt;
- Adjusted EBITDA does not reflect the impact of income taxes on our operating performance;
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation on our operating performance. The assets that are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, it does not reflect our future cash requirements for these replacements; and
- Adjusted EBITDA does not reflect the impact of other non-cash items on our operating performance, such as foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions, (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associate and other non-cash items

NET DEBT

NET DEBT HAS BEEN CALCULATED AS OF THE DATES INDICATED

Indicators	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Loans and borrowings less interest payable	199,075	205,872	183,327	218,209	186,058
Net of:					
Cash and short-term financial investments ¹	(100,401)	(97,175)	(80,230)	(109,658)	(31,127)
NET DEBT	98,674	108,697	103,097	108,551	154,931
NET DEBT TO EBITDA (LTM²)	2.32	2.38	2.57	2.32	3.56

Net Debt is not a measure under IFRS, and it should not be considered to be an alternative to other measures of financial position. Other companies in the pipe industry may calculate Net Debt differently and therefore comparability may be limited. Net Debt is a measure of our operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non IFRS measure, it is widely used to assess liquidity and the adequacy of a company’s financial structure. Management believes Net Debt provides an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from available cash. Net Debt demonstrates investors the trend in our net financial position over the periods presented.

¹ Cash and short-term financial investments include Cash and cash equivalents, Other financial assets, short-term loans issued and the bank promissory notes with a maturity more than 1 year.
² Net Debt-to-EBITDA ratio is defined as the quotient of Net Debt at the end of the given reporting date divided by the Adjusted EBITDA for the 12 months immediately preceding the given reporting date. Adjusted EBITDA - see «Selected financial data».

PRINCIPAL RISKS AND UNCERTAINTIES

INDUSTRY RISKS

DEPENDENCE ON THE OIL AND GAS INDUSTRY

The oil and gas industry is the principal consumer of steel pipe products worldwide and accounts for most of our sales, in particular sales of OCTG, line pipe and large-diameter pipe. In 2020, sales volumes of pipes used in oil and gas industry accounted for approximately 74% of our tubular products.

The oil and gas industry has historically been volatile and downturns in the oil and gas markets can adversely affect demand for our products, which largely depends on the number of oil and gas wells being drilled, completed and reworked, the depth and drilling conditions of wells and the construction of oil and gas pipelines. The level of such industry specific activities in turn depends on the level of capital spending by major oil and gas companies. The level of investment activities of oil and gas companies, which is largely driven by prevailing prices for oil and natural gas and their stability, significantly affects the level of consumption of our products.

Thus, the decline in oil and gas exploration, drilling and production activities, prices for energy commodities and other economic factors beyond our control could adversely affect our results of operations.

INCREASES IN THE COST OF RAW MATERIALS

We require substantial quantities of raw materials to produce steel pipes. The principal raw materials used in production processes include scrap and ferroalloys for use in steelmaking operations, steel billets used for the production of seamless pipe and steel coils and plates for the production of welded pipe. The demand for the principal raw materials we utilize is generally correlated with macroeconomic fluctuations, which in turn are affected by global economic conditions.

Prices for raw materials and supplies have a key influence on our production costs and are one of the main factors affecting our results of operations. There are many factors, which influence raw materials prices, including oil and gas prices, worldwide production capacity, capacity utilization rates, inflation, exchange rates, trade barriers and developments in steelmaking processes. We are negotiating new contract terms with our major clients based on pricing formulas, which secure us against growing raw materials prices. The share of raw materials and consumables costs in the total cost of sales in 2020 was 66%. In 2020, the cost of scrap metal for TMK's plants in Russia in Rouble-terms increased on average by 6%, and the cost of coils decreased by 4%. The increase in prices for scrap, coils and other raw materials, if not passed to customers can adversely affect our profit, margins and results of operations.

Our plants also consume significant quantities of energy, particularly electricity and gas. In 2020, energy and utility costs comprised approximately 10% of our total cost of sales. The prices for electricity for our plants increased by 5% in Rouble-terms compared to 2019, while the average prices for domestic natural gas for our plants increased by 2% in Rouble-terms. If we are required to pay higher prices for gas and electricity in the future, our costs will rise and this could have a material adverse effect on our business, financial condition, results of operations and prospects.

DEPENDENCE ON A SMALL GROUP OF CUSTOMERS

As we focus on supplying primarily the oil and gas industry, our largest customers are oil and gas companies. In 2020, our five largest customers in Russia were Rosneft, Gazprom, Surgutneftegas, Gazpromneft and Lukoil, which together accounted for 41% of our total sales volumes. The increased dependence of pipe sales on a single large customer bears the risk of an adverse effect on results of operations in the event that our relationship with any of these major customers deteriorates.

Our LDP business is largely dependent on one of our largest customers, Gazprom. In 2020, 31% of our LDP were sold for Gazprom projects. Increased competition in the supply of LDP or a change in relationships with Gazprom could negatively affect our competitive position in the large-diameter pipe market, resulting in decreased revenues from sales of these products and adversely affecting our business, financial position and results of operations. Additionally, large-diameter pipe business depends significantly upon the level of construction of new oil and gas pipelines in Russia and the CIS. The delay, cancellation or other changes in the scale or scope of significant pipeline projects, or the selection by the sponsors of such projects of other suppliers could have an adverse effect on our sales of LDP, and thus on the results of operations and financial position.

COMPETITION

The global market for steel pipe products, particularly in the oil and gas sector, is highly competitive. In the Russian and CIS markets, we face competition primarily from ChTPZ, OMK, Chinese pipe producers, as well as from ZTZ in the LDP segment.

After accession to the WTO Russia had adjusted its national legislation in full accordance with WTO rules and regulations, what allowed Russia along with the EEU (Eurasian Economic Union) to use WTO trade defense mechanism for the national market protection. To date, the following antidumping measures are effective in EEU: antidumping duties in the amount 18.9%-19.9% on imports of some types of steel tubes and pipes originated from Ukraine that were extended till 2021, anti-dumping duties ranging from 4.32% to 18.96% on imports of seamless corrosion resistant steel tubes and pipes originating from Ukraine, antidumping duties in the amount 19.15% on imports of cold-drawn stainless steel pipes originated from China and Malaysia, antidumping duties 12.23%-31% in respect to OGTG originated from China.

Outside Russia and the CIS, we compete against a limited number of premium-quality pipe products producers, including Tenaris, Vallourec, Sumitomo, Voestalpine and Chinese producers.

Higher competition could have a material adverse effect on our business, financial condition, results of operations and prospects.

FINANCIAL RISKS

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure that it will always have sufficient liquidity assets to meet its obligations when due.

We manage liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As of December 31, 2020, our total debt increased to 199,075¹ million roubles as compared to 186,058 million roubles at the end of 2019 as a result of the Rouble depreciation against the US dollar. Net repayment amounted to 1,426 million roubles. As of December 31, 2020, our Net-Debt-to-EBITDA ratio was 2.32x.

As of December 31, 2020, we committed credit lines in Russian, European and American banks with the available limit of 96,105 million roubles.

Nevertheless, there can be no assurance that our efforts to improve liquidity profile and reduce leverage will prove successful. The negative debt market reaction on deteriorating global political and financial situation, US and EU sanctions, economic situation in Russia may have an adverse impact on our ability to borrow in banks or on capital markets, and may put pressure on our liquidity, significantly increase borrowing costs, temporary reduce the availability of credit lines or lead to and possibility to incur financing on acceptable terms.

COMPLIANCE WITH COVENANTS

Certain amount of our loan agreements and public debt securities currently include financial covenants. Some covenants impose financial ratios that must be maintained, others impose restrictions in respect of certain transactions, including restrictions in respect of indebtedness, pledging of assets and material asset disposals. A breach of financial or other covenants in existing debt facilities, if not resolved by means such as obtaining a waiver from the relevant lender and/or making amendments to debt facilities, could trigger a default under our obligations.

We are in compliance with covenants.

Nevertheless, in case financial markets or economic situation on the markets, where we operate, deteriorate in the future, we may not comply with relevant covenants. In case of possible breach we will apply best efforts to obtain all necessary waivers or standstill letters. We do not expect the occurrence of such events in the near future.

¹ Total debt is calculated as loans and borrowings less interest payable.

INTEREST RATE RISK

Loans and borrowings at variable interest rate create an exposure to interest rate risk, that is, fluctuations of cash flows due to changes in market interest rates. The exposure of interest rate risk did not materialise for us in the reporting period, as substantially all of our loans and borrowings bore interest at fixed rates or the CBR key rate increased by a fixed margin.

CURRENCY RISK

Our products’ prices as well as our costs are nominated both in Roubles and in other currencies (generally, in US dollars and euro). Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. In 2020, we incurred foreign exchange gain from spot rate changes in the total amount of 8,288 million roubles. In addition, we recognised the reclassification of foreign currency reserves to the income statement in the amount of 6,022 million roubles (net of income tax) in the statement of other comprehensive income. The reclassification was a result of IPSCO sale. Also we are exposed to currency risk on the borrowings that are denominated in currencies other than the functional currencies of the respective Group’s members. The currencies in which these transactions are denominated are primarily Rubles, US dollars and euro. As of December 31, 2020, 20% of our loans were denominated in US dollar. In this regards, as well as taking into consideration continuing volatility of the Rouble against US dollar, the risk of losses owing to the Rouble devaluation remains sufficiently high. Depreciation of the Rouble against the US dollar could adversely affect our net profit as coherent losses will be reflected in our consolidated income statements. Nevertheless, we are partly secured from currency risks as foreign currency denominated sales occasionally are used to cover repayment of foreign currency denominated borrowings.

INFLATION RISK

A significant amount of our production activities are located in Russia, and a majority of direct costs are incurred in Roubles. We tend to experience inflation-driven increases in certain costs, such as raw material costs, transportation costs, energy costs and salaries that are linked to the general price level in Russia. In 2020, inflation in Russia increased to 4.9% as compared to 3.0% in 2019. In spite of the measures of the Russian government to contain inflation, growth of inflation rates may be significant in the short-term outlook. We may not be able to increase the prices sufficiently in order to preserve existing operating margins.

High rates of inflation, especially in Russia, could increase our costs, decrease our operating margins and adversely affect our business and financial position.

LEGAL RISKS

CHANGES IN TAX LEGISLATION AND TAX SYSTEM

Our subsidiaries make significant tax and non-budgetary funds payments, in particular, profit tax, VAT, property tax and payments to social security funds. Changes in tax legislation could lead to an increase in tax payments and, consequently, to a lowering of financial results. As significant part of the operations is located in Russia, the main risks relate to changes in the legislation of the Russian tax system. The Russian Government continually reviews the Russian tax legislation. The new laws generally reduce the number of taxes and the overall tax burden on business while simplifying tax legislation. Nevertheless, should the Russian taxation system suffer any changes related to increasing of tax rates, this could adversely affect our business.

Moreover, the Russian oil industry is subject to substantial taxes, including significant resources production taxes and significant export customs duties. Changes to the tax regime and customs duties rates may adversely affect the level of oil and gas exploration and development in Russia, which can adversely affect the demand for our products in Russia.

CHANGES IN ENVIRONMENTAL LAW

We meet the requirements of national environmental laws at our industrial capacities location areas: the directives and regulations of Russian, the European Union and Kazakhstan legislation.

The main ecological-and-economical risks of our Russian plants are related to changes and tightening of the Russian environmental protection laws. Environmental legislation in Russia is constantly developing. The imposition of a new law and regulation system may require further expenditures to install new technological and waste disposal equipment, pollution and wastewater control equipment, as well as will lead to growth of the rate of payments for negative impact on the environment. It is expected that compliance with the regulations will be accompanied by stricter control by state monitoring authorities.

We estimate that the environmental legislation of the European Union and Kazakhstan will not undergo any material changes in the near future. Nevertheless, if such changes arise, the cost of compliance with new requirements could have a material adverse effect on our business.

OTHER RISKS

EQUIPMENT FAILURES OR PRODUCTION CURTAILMENTS OR SHUTDOWNS

Our production capacities are subject to equipment failures and to the risk of catastrophic loss due to unanticipated events, such as fires, explosions and adverse weather conditions. Our manufacturing processes depend on critical pieces of steel-making and pipe-making equipment. Such equipment may, on occasion, be out of service as a result of unanticipated failures, which could require us to close part or all of the relevant production facility or cause us to reduce production on one or more of our production lines.

Any interruption in production capability may require us to make significant and unanticipated capital expenditures to effect repairs, which could have a negative effect on our profitability and cash flows. Any recoveries under insurance coverage that we may obtain may not offset the lost revenues or increased costs resulting from a disruption of our operations.

A sustained disruption to our business could also result in delays to or cancellations of customer orders and contractual penalties, which may also negatively impact our reputation among our customers. Any or all of these occurrences could have a material adverse effect on our business, results of operations, financial condition and prospects.

INSURANCE AGAINST ALL POTENTIAL RISKS AND LOSSES

We maintain insurance against losses that may arise in case of property damage including business interruption insurance, accidents, transportation of goods. We also maintain corporate product liability and directors and officers liability insurance policies.

We maintain obligatory insurance policies required by law and provide employees with medical insurance as part of our compensation arrangements with our employees.

Nevertheless, we do not carry insurance against all potential risks and losses, and our insurance might be inadequate to cover all of our losses or liabilities or may not be available on commercially reasonable terms.

ABILITY TO EFFECT STAFF ALTERATIONS AND SHORTAGES OF SKILLED LABOR

Our key Russian subsidiaries are in many regions the largest employers in the cities in which they operate, such as Volzhsky, Taganrog, Kamensk-Uralsky and Polevskoy. While we do not have any specific legal social obligations or responsibilities with respect to these regions, the ability to effect alterations in the number our employees may nevertheless be subject to political and social considerations. Any inability to make planned reductions in the number of employees or other changes to operations in such regions could have an adverse effect on the results of operations and prospects.

Competition for skilled labor in the steel pipe industry remains relatively intense, and labor costs continue to increase moderately, particularly in the CIS, Eastern Europe and the United States. We expect the demand and, hence, costs for skilled engineers and operators will continue to increase, reflecting the significant demand from other metallurgical companies and other industries. Continual high demand for skilled labor and continued increases in labor costs could have a material adverse effect on our business, financial position and results of operations.

TRANSACTIONS REPORT

LIST OF TRANSACTIONS MADE BY PAO TMK IN 2020 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

No major transactions were made by PAO TMK in 2020.

LIST OF TRANSACTIONS MADE BY PAO TMK IN 2020 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
1Q 2020					
1	VTB Factoring Ltd	Surety agreement under which PAO TMK shall secure all obligations of PJSC TAGMET (Beneficiary) to VTB Factoring Ltd under Agreement between PJSC TAGMET and LLC ENERGY ENGINEERING COMPANY ENERCOM on performing energy saving and energy efficiency measures, dated March 21, 2019	RUB 256,205,746.10	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Alexander Shiryayev, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 3. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 5. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors.	Board of Directors, January 23, 2020
2	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 17,459.750.68	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	Approval not required (transactions under RUB 500 mln)
3	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 50,184,337.53		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
4	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	RUB 19,535,213.11	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors	Approval not required (transaction under RUB 500 million)
5	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 912,307,651.03	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	Approval not required (paragraph 2.2, Article 81 of the Federal Law On Joint Stock Companies)
6	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,276,190,573.78	2. Alexander Shiryaev, a member of PAO TMK's Board of Directors, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.	
7	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,300,066,247.49	3. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
8	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,300,066,247.49	4. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.	
9	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,294,935,099.93	5. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
10	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,286,209,100.61	6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
11	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 224/19/R with Gazprombank (JSC) dated December 30, 2019	RUB 8,750,000		
12	JSC Volzhsky Pipe Plant	Surety fee agreement with JSC Volzhsky Pipe Plant for securing the obligations of PAO TMK under Loan Agreement No. b/n with TMK Capital SA dated February 10, 2020	RUB 55,955,375.00		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
13	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PJSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/0006/V-19 with VTB Bank (PJSC) dated July 30, 2019	RUB 17,500,000.00		Approval not required (transactions under RUB 500 million)
14	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/0006/V-19 with VTB Bank (PJSC) dated July 30, 2019	RUB 17,500,000.00		
15	PJSC TAGMET	Surety fee agreement for a surety issued by PJSC TAGMET to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/0006/V-19 with VTB Bank (PJSC) dated July 30, 2019	RUB 17,500,000.00		
2Q 2020					

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
16	Bank RRDB (JSC)	Addendum to Surety Agreement No. 01-K1859-17 dated September 18, 2017, under which PAO TMK shall secure all obligations of JSC Volzhsky Pipe Plant (Beneficiary) to Bank RRDB (JSC) under Credit Facility Agreement No. 1859-K-17 with Bank RRDB (JSC) dated September 18, 2017.	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Alexander Shiryaev, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 3. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 4. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 	Board of Directors, June 15, 2020
17	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,269,473,790.28	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2. Alexander Shiryaev, a member of PAO TMK's Board of Directors, is simultaneously a member of the Counterparty's Board of Directors. 3. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Counterparty's Board of Directors. 4. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 5. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 	Approval not required (paragraph 2.2, Article 81 of the Federal Law On Joint Stock Companies)
18	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,258,045,894.15	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 	
19	JSC Volzhsky Pipe Plant	Surety fee agreement with JSC Volzhsky Pipe Plant for securing the obligations of PAO TMK under Loan Agreement No. 22/20-R with Gazprombank (JSC) dated May 15, 2020	RUB 35,000,000.00	<ol style="list-style-type: none"> 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 3. Igor Korytko, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 4. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 	

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
20	LLC TMK Oilfield Services	Loan agreement under which PAO TMK shall grant a loan to LLC TMK Oilfield Services	RUB 61,021,885.25	1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity	Approval not required (transaction under RUB 500 million)
21	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	RUB 98,196,587.65	1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity. 2. Andrey Zimin, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors.	Approval not required (transaction under RUB 500 million)
22	LLC Uralsky Dvor	Loan agreement under which PAO TMK shall grant a loan to LLC Uralsky Dvor	RUB 10,746,524.81	1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity.	Approval not required (transaction under RUB 500 million)

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
23	PJSC Sinarsky Pipe Plant	Surety fee agreement with PJSC Sinarsky Pipe Plant for securing the obligations of PAO TMK under Loan Agreement No. b/n with TMK Capital SA dated February 10, 2020	RUB 65,249,275.00	<div>1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity.</div> <div>2. Alexander Shiryaev, a member of PAO TMK’s Board of Directors, is simultaneously a member of the Counterparty’s Board of Directors and a member of the Board of Directors of the Counterparty’s management company.</div> <div>3. Andrey Zimin, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors and a member of the Management Board of the Counterparty’s management company.</div> <div>4. Andrey Kaplunov, a member of PAO TMK’s Board of Directors, is simultaneously a member of the Counterparty’s Board of Directors and a member of the Board of Directors of the Counterparty’s management company.</div> <div>5. Tigran Petrosyan, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors and a member of the Management Board of the Counterparty’s management company.</div> <div>6. Vyacheslav Popkov, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors and a member of the Management Board of the Counterparty’s management company</div>	Approval not required (transactions under RUB 500 million)
24	PJSC Seversky Pipe Plant	Surety fee agreement with PJSC Seversky Pipe Plant for securing the obligations of PAO TMK under Loan Agreement No. b/n with TMK Capital SA dated February 10, 2020	RUB 65,249,275.00		
25	PJSC TAGMET	Surety fee agreement with PJSC TAGMET for securing the obligations of PAO TMK under Loan Agreement No. b/n with TMK Capital SA dated February 10, 2020	RUB 65,249,275.00		
3Q 2020					
26	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 14,261,065.57	<div>1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity</div>	Approval not required (transactions under RUB 500 million)
27	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 49,574,167.98		
28	LLC TsBU	Loan agreement under which PAO TMK shall grant a loan to LLC TsBU	RUB 39,318,738.47	<div>1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity</div>	Approval not required (transaction under RUB 500 million)

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
29	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,216,398,709.48	<div>1. PAO TMK’s controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty’s controlling entity.</div> <div>2. Andrey Zimin, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors.</div> <div>3. Igor Korytko, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors.</div> <div>4. Tigran Petrosyan, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors.</div> <div>5. Elena Pozolotina, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors.</div> <div>6. Vyacheslav Popkov, a member of PAO TMK’s Management Board, is simultaneously a member of the Counterparty’s Board of Directors</div>	Approval not required (paragraph 2.2, Article 81 of the Federal Law On Joint Stock Companies)
30	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,215,589,310.58		
31	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,764,851,223.89		
32	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,764,851,223.89		
33	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,764,851,223.89		
34	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,764,851,223.89		
35	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 2,764,851,223.89		
36	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 1,657,137,124.78		
37	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 0032/20 with CREDIT BANK OF MOSCOW (PJSC) dated July 08, 2020	RUB 52,500,000.00		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
38	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/00010/V-19 with VTB Bank (PJSC) dated December 06, 2019	RUB 17,500,000.00		Approval not required (transactions under RUB 500 million)
39	PJSC TAGMET	Surety fee agreement for a surety issued by PJSC TAGMET to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/00010/V-19 with VTB Bank (PJSC) dated December 06, 2019	RUB 17,500,000.00		
40	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PJSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/00010/V-19 with VTB Bank (PJSC) dated December 06, 2019	RUB 17,500,000.00		
41	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PJSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 224/19-R with Gazprombank (JSC) dated December 30, 2019	RUB 8,750,000.00		
42	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 224/19-R with Gazprombank (JSC) dated December 30, 2019	RUB 8,750,000.00		
43	PJSC TAGMET	Surety fee agreement for a surety issued by PJSC TAGMET to secure the obligations of PAO TMK under Loan Agreement No. 224/19-R with Gazprombank (JSC) dated December 30, 2019	RUB 8,750,000.00		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
44	LLC TMK-INOX	Surety fee agreement with PAO TMK for securing the obligations of LLC TMK-INOX under Contract No. KP-20-233 with LLC TITAN TECHNOLOGY PIPELINE dated June 15, 2020	RUB 582,316.8	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity	Approval not required (transaction under RUB 500 million)
45	LLC TMK Oilfield Services	Loan agreement under which PAO TMK shall grant a loan to LLC TMK Oilfield Services	RUB 60,100,983.61	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity	Approval not required (transaction under RUB 500 million)
4Q 2020					
46	AO ALFA-BANK	Surety agreement, under which PAO TMK shall be jointly liable to AO ALFA-BANK for performing obligations of JSC Volzhsky Pipe Plant (Beneficiary) under Guarantee Agreement No. 01433R dated June 26, 2020	RUB 539,803,600	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Igor Korytko, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors.	Board of Directors, October 21, 2020
47	AO ALFA-BANK	Addendum to Surety Agreement No. 4/P2 dated July 07, 2015, under which PAO TMK shall secure all obligations of PJSC TAGMET (Beneficiary) to AO ALFA-BANK under Credit Facility Agreement No. 1 dated April 15, 2015	-	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Igor Korytko, Chief Executive Officer of PAO TMK and a member of Management Board, is simultaneously a member of the Beneficiary's Board of Directors	Board of Directors, November 30, 2020

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
48	AO ALFA-BANK	Addendum to Surety Agreement No. 1/P2 dated July 07, 2015, under which PAO TMK shall secure all obligations of PJSC Volzhsky Pipe Plant (Beneficiary) to AO ALFA-BANK under Credit Facility Agreement No. 1 dated April 15, 2015	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Igor Korytko, Chief Executive Officer of PAO TMK and a member of Management Board, is simultaneously a member of the Beneficiary's Board of Directors 	Board of Directors, November 30, 2020
49	AO ALFA-BANK	Addendum to Surety Agreement No. 3/P2 dated July 07, 2015, under which PAO TMK shall secure all obligations of PJSC Seversky Pipe Plant (Beneficiary) to AO ALFA-BANK under Credit Facility Agreement No. 1 dated April 15, 2015	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Igor Korytko, Chief Executive Officer of PAO TMK and a member of Management Board, is simultaneously a member of the Beneficiary's Board of Directors 	Board of Directors, November 30, 2020

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
50	AO ALFA-BANK	Addendum to Surety Agreement No. 2/P2 dated July 07, 2015, under which PAO TMK shall secure all obligations of JSC Sinarsky Pipe Plant (Beneficiary) to AO ALFA-BANK under Credit Facility Agreement No. 1 dated April 15, 2015	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Igor Korytko, Chief Executive Officer of PAO TMK and a member of Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 	Board of Directors, November 30, 2020
51	Gazprombank (Switzerland) Ltd	Addendum to Surety Agreement No 1444/A/1 dated March 16, 2018, under which PAO TMK shall be jointly liable to Lenders for performing obligations of TMK Global SA and TMK Middle East FZCO (jointly the Beneficiary) under Loan Agreement No. 1444/A/1 dated February 08 2018	-	<ol style="list-style-type: none"> 1. The Company's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of the Company's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Andrey Parkhomchuk, a member of the Company's Management Board, is simultaneously a member of the Board of Directors of TMK Middle East FZCO. 	Board of Directors, December 14, 2020
52	Gazprombank (Switzerland) Ltd	Addendum to Surety Agreement No 1444/V dated March 16, 2018, under which PAO TMK shall be jointly liable to the Lender for performing obligations of TMK Gulf International Pipe Industry LLC (Beneficiary) under Loan Agreement No. 1444/V dated February 12, 2018	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 	Board of Directors, December 14, 2020

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
53	LLC CryoGas	Independent guarantee, under which PAO TMK shall be jointly liable to LLC CryoGas for payments due from JSC TAGMET (Beneficiary) at the first written demand for amounts due under the claim filed with the Arbitration Court of the North Caucasian Federal District	RUB 426,375,465.52	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 3. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Igor Korytko, Chief Executive Officer of PAO TMK and a member of Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 	Approval not required (transaction under RUB 500 million)
54	LLC TITAN TECHNOLOGY PIPELINE	Independent advance payment guarantee, under which PAO TMK shall be jointly liable for payments due from LLC TMK-INOX (Beneficiary) under Contract No. KP-20-233 with LLC TITAN TECHNOLOGY PIPELINE dated June 15, 2020	RUB 145,307,045.44	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity 	Approval not required (transaction under RUB 500 million)
55	TMK Global SA, TMK Middle East FZCO	Amendment No. 1 to the surety fee agreement with PAO TMK for securing the obligations of TMK Global SA, TMK Middle East FZCO under Loan Agreement No. 1444/A/1 with Gazprombank (Switzerland) Ltd dated February 08, 2018	-	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2. Andrey Zimin, a member of the Company's Management Board, is simultaneously a member of the Counterparty's Board of Directors. 3. Andrey Parkhomchuk, a member of the Company's Management Board, is simultaneously a member of the Board of Directors of TMK Middle East FZCO. 	Approval not required
56	Rockarrow Investments Limited	Loan agreement under which PAO TMK shall grant a loan to Rockarrow Investments Limited	RUB 19,616,929,598.02	<ol style="list-style-type: none"> 1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors 	Pending approval

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
57	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 9,540,864.23	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity	Approval not required (transactions under RUB 500 million)
58	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 50,887,632.65		
59	LLC SinaraPromTrans	Loan agreement under which PAO TMK shall grant a loan to LLC SinaraPromTrans	RUB 118,638,658.88	1. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Board of Directors of the Counterparty's controlling entity. 2. Alexander Pumpyanskiy, a member of PAO TMK's Board of Directors, is simultaneously a member of the Board of Directors of the Counterparty's controlling entity. 3. Dmitry Pumpyanskiy, a member of PAO TMK's Board of Directors, is simultaneously a member of the Board of Directors of the Counterparty's controlling entity. 4. Mikhail Khodorovsky, a member of PAO TMK's Board of Directors, is simultaneously a member of the Board of Directors of the Counterparty's controlling entity.	Approval not required (transaction under RUB 500 million)
60	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	RUB 550,208,117.19	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	Approval not required (paragraph 2.2, Article 81 of the Federal Law On Joint Stock Companies)
61	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. AA026/20 with CREDIT BANK OF MOSCOW (PJSC) dated October 28, 2020	RUB 28,000,000.00		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
62	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Guarantee Agreement No. BG053/20 with CREDIT BANK OF MOSCOW (PJSC) dated October 28, 2020	RUB 28,000,000.00	3. Igor Korytko, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors, the CEO and a member of the Management Board of the Counterparty's management company. 4. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
63	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of JSC Volzhsky Pipe Plant under Guarantee Agreement No. 01433R with AO ALFA-BANK dated June 26, 2020	RUB 1,866,897.55	5. Elena Pozolotina, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
64	JSC Seversky Pipe Plant	Surety fee agreement for a surety issued by JSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 0032/20 with CREDIT BANK OF MOSCOW (PJSC) dated July 08, 2020	RUB 52,500,000.00	6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company	
65	JSC TAGMET	Surety fee agreement for a surety issued by JSC TAGMET to secure the obligations of PAO TMK under Loan Agreement No. 22/20-R with Gazprombank (JSC) dated May 15, 2020	RUB 35,000,000.00		
66	JSC Seversky Pipe Plant	Surety fee agreement for a surety issued by JSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 22/20-R with Gazprombank (JSC) dated May 15, 2020	RUB 35,000,000.00		
67	JSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by JSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 22/20-R with Gazprombank (JSC) dated May 15, 2020	RUB 35,000,000.00		

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
68	JSC TAGMET	Surety fee agreement with PAO TMK for issuing an independent guarantee to reimburse potential losses incurred by LLC CryoGas in relation with suspended enforcement of court orders issued in case No. A53-5947/2020	RUB 2,984,628.26		Approval not required (transactions under RUB 500 million)
69	LLC TMK-INOX	Surety fee agreement with PAO TMK for issuing an independent guarantee to repay the advanced payment under the obligations of LLC TMK-INOX under Contract No. KP-20-223 with LLC TITAN TECHNOLOGY PIPELINE dated June 15, 2020	RUB 976,723.39	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity	Approval not required (transaction under RUB 500 million)
70	JSC Uralchermet	Loan agreement under which PAO TMK shall grant a loan to JSC Uralchermet	RUB 76,856,372.68	1. Vladimir Oborsky, a member of PAO TMK's Management Board, is simultaneously a member of the Counterparty's Board of Directors	Approval not required (transaction under RUB 500 million)
71	OJSC Rakityansky Armaturny Zavod	Loan agreement under which PAO TMK shall grant a loan to OJSC Rakityansky Armaturny Zavod	RUB 149,288,810.02	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity	Approval not required (transaction under RUB 500 million)

GLOSSARY

Adjusted EBITDA

Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, foreign exchange (gain)/loss (except for operating gains and losses on accounts receivable and accounts payable), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items

Casing

Steel pipe used to reinforce the walls of a well

COVID-19

Coronavirus infection caused by SARS-CoV-2 coronavirus (2019-nCoV).

CRM

Customer Relationship Management – software for organizations to automate customer interaction strategies

Drill pipe

Threaded seamless steel butted pipe used for well drilling

EAF

Electric arc furnace

HBI

Hot-briquetted iron

IAS

Internal Audit Service

IFRS

International Financial Reporting Standards

KPI

Key performance indicators

LDP

Large diameter pipe

Line pipe

Pipe used in the construction and workover of upstream, transmission and process pipelines

LTIFR

Lost time injury frequency rate

MES

Manufacturing execution system

OCTG

Oil country tubular goods

OHS

Occupational health and safety

RAS

Russian Accounting Standards

Seamless pipe

Pipe manufactured through the insertion of a solid billet in a press or a piercing mill (with subsequent hot or cold working)

TAGMET

JSC Taganrog Metallurgical Works

Tubing

Plain-end steel pipe or steel pipe with externally upset ends for oil and gas well operation

Welded pipe

Pipes made from metal coil, plate, strip or sheet, rolled and welded and manufactured on a tube welding mill

year-on-year

Change in a metric compared to the same period of the previous year

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accordance with Russian laws on the
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